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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
B- 49337

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

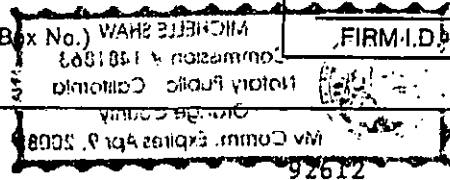
REPORT FOR THE PERIOD BEGINNING April 1, 2006 AND ENDING March 31, 2007
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: CPS Financial & Insurance Services, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.) 18551 Von Karman Avenue, Suite 150
Irvine, California

(City) (State) (Zip Code)



NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Lisa Knoles 949-863-0700 x 108
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

George Brenner, CPA A Professional Corporation
(Name - if individual, state last, first, middle name)

10680 W. Pico Boulevard, Suite 260 Los Angeles, CA 90064
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED
JUN 01 2007
THOMSON FINANCIAL

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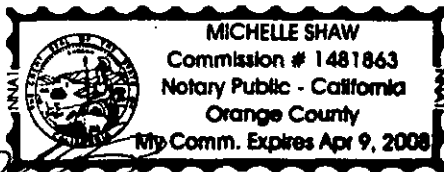
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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OATH OR AFFIRMATION

I, Lisa Knoles, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CPS Financial & Insurance Services, Inc. as of March 31, 20 07, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None



[Signature]
Notary Public

Lisa Knoles
Signature
CFO
Title

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

ANNUAL AUDIT REPORT

DATE - MARCH 31, 2007

CPS FINANCIAL & INSURANCE SERVICES, INC.
18551 Von Karman Avenue, Suite 150
Irvine, CA 92612

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George Brenner, CPA
A Professional Corporation
10680 W. PICO BOULEVARD, SUITE 260
LOS ANGELES, CALIFORNIA 90064
310/202-6445 – Fax 310/202-6494

REPORT OF INDEPENDENT AUDITOR

Board of Directors
CPS Financial & Insurance Services, Inc.
Irvine, California

I have audited the accompanying statement of financial condition of CPS Financial & Insurance Services, Inc. (the Company) as of March 31, 2007 and related statements of operations, changes in shareholder's equity and cash flows and for the year then ended. These financial statements are being filed pursuant to Rule 17a-5 of the Securities Exchange Act of 1934 and include the supplemental schedule of the net capital computation required by rule 15c3-1. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, such financial statements referred to above present fairly, in all material respects, the financial condition of the Company as of March 31, 2007 and the results of its operations, changes in shareholder's equity and cash flows and for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Los Angeles, California
May 25, 2007

CPS FINANCIAL & INSURANCE SERVICES, INC.
STATEMENT OF FINANCIAL CONDITION
MARCH 31, 2007

ASSETS

Cash		
Checking		\$ 58,049
Money Market		<u>24,007</u>
		82,056
Securities at Market Value		56,449
Accounts receivable		6,928
Commissions receivable		17,528
Property and equipment net of depreciation of \$1,426		<u>1,220</u>
TOTAL ASSETS		<u>\$ 164,181</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

LIABILITIES

Accounts payable - due parent company		\$ 7,316
Accrued liabilities		<u>11,774</u>
TOTAL LIABILITIES		<u>19,090</u>

SHAREHOLDER'S EQUITY

Common stock (\$1 par value, 100,000 shares authorized and issued; 6000 shares outstanding)		6,000
Contributed Capital		1,000
Retained earnings		92,439
Current year income (loss)		<u>45,652</u>
TOTAL SHAREHOLDER'S EQUITY		<u>145,091</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		<u>\$ 164,181</u>

See Accompanying Notes to Financial Statements

CPS FINANCIAL & INSURANCE SERVICES, INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2007

REVENUES

Commissions	\$ 197,312
Mark to Market - Securities	(2,075)
Other - Financial West	41,568
Interest	<u>185</u>
 TOTAL REVENUES	 \$ <u>236,990</u>

EXPENSES

Management fee - Parent Co.	\$ 75,000
Depreciation and amortization	161
Dues and subscriptions	4,897
Commission expense	73,811
Professional services	5,854
Rent	6,000
Licenses and permits	8,238
Telephone	2,400
All other	<u>1,315</u>
 TOTAL OPERATING EXPENSES	 <u>177,676</u>
 INCOME BEFORE TAX PROVISION	 59,314
 INCOME TAX PROVISION	 <u>13,661</u>
 NET INCOME	 \$ <u><u>45,653</u></u>

See Accompanying Notes to Financial Statements

CPS FINANCIAL & INSURANCE SERVICES, INC.
 STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
 FOR THE YEAR ENDED MARCH 31, 2007

	Common Stock Shares	Common Stock	Paid-In Capital	Retained Earnings	Total Equity
Balance, March 31, 2006	6,000	\$ 6,000	\$ 1,000	\$ 92,439	\$ 99,439
Net Income	<u> </u>	<u> </u>	<u> </u>	<u>45,652</u>	<u>45,652</u>
Balance, March 31, 2007	<u>6,000</u>	<u>\$ 6,000</u>	<u>\$ 1,000</u>	<u>\$ 138,091</u>	<u>\$ 145,091</u>

See Accompanying Notes to Financial Statements

CPS FINANCIAL & INSURANCE SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2007

Cash Flows from Operating Activities:	
Net income	\$ 45,653
Depreciation and amortization	161
Changes in operating assets and liabilities:	
Accounts receivable	(14,064)
Accrued liabilities	11,773
Income tax payable	(12,356)
Accounts payable - Parent Company	(86,684)
NASD warrants	<u>20,100</u>
Net cash provided (used) in operating activities	<u>(35,417)</u>
Cash Flows from Investing Activities - Securities, net	<u>(42,055)</u>
Cash Flows from Financing Activities:	
Net decrease in cash	(77,472)
Cash at beginning of year	<u>159,528</u>
Cash at end of year	<u>\$ 82,056</u>

SUPPLEMENTAL INFORMATION

Income Taxes:	
2006 State taxes paid	\$ 4,824
2007 State taxes paid	5,640
2006 State taxes accrued	<u>(6,966)</u>
	\$ 3,498
2006 Federal taxes paid	5,993
2007 Federal taxes paid	9,560
2006 Federal taxes accrued	<u>(5,390)</u>
	<u>10,163</u>
	<u>\$ 13,661</u>

See Accompanying Notes to Financial Statements

CPS FINANCIAL & INSURANCE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 1 - NATURE OF BUSINESS

CPS Financial & Insurance Services, Inc. (the Company), a wholly owned subsidiary of CPS Insurance Services, is a wholesaler of variable insurance products to other NASD Regulation member broker/dealers registered with the Securities and Exchange Commission under SEC Rule 15c3-3(a)(2)(vi). The Company was incorporated in the state of California on April 1, 1996 under the name CPS Financial Services, Inc. On October 9, 1997, the Company changed its name to CPS Financial & Insurance Services, Inc.

On May 21, 1997 the Company was approved for membership by the National Association of Securities Dealers subject to the execution of the restriction agreement. The Company will only act as a wholesaler of variable insurance products to other NASD Regulation member broker/dealers. The Company does not hold customers' funds or securities. As a result, the Company is exempt from certain provisions and requirements of the Securities Exchange Commission.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, Equipment and Depreciation - Property and equipment are carried at cost. Depreciation is calculated on the straight-line method over estimated economic lives which are generally five years.

Organization Costs - Organization costs are carried at cost and are amortized over five years.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CPS FINANCIAL & INSURANCE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income taxes - Income taxes are provided based on earnings reported for financial statement purposes. In accordance with FASB Statement No. 109, the asset and liability method requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between tax basis and financial reporting basis of assets and liabilities. The income tax provision benefit is comprised as follows:

State	\$ 6,044
Federal	<u>10,743</u>
	<u>\$16,787</u>

NOTE 3 - NET CAPITAL REQUIREMENTS

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum net capital (\$5,000) or 6 2/3% of aggregate indebtedness whichever is greater as defined under such provisions. See page 8 for the computation of net capital.

NOTE 4 - RELATED PARTY

The Company was charged a management fee of \$85,000 by its parent company.

NOTE 5 - EXEMPTION FROM THE SEC RULE 15c3-3

CPS Financial & Insurance Services, Inc. sells variable insurance products to NASD members therefore the Company is exempt from provisions under the SEC Rule 15c3-3, Customer Protection – Reserves and Custody of Security under Rule 15c3-3 paragraph K 1.

In addition, the Company is exempt from the Possession or Control Requirements under Rule 15c3-3 paragraph K 1.

CPS FINANCIAL & INSURANCE SERVICES, INC.
 COMPUTATION OF NET CAPITAL REQUIREMENTS PURSUANT
 TO RULE 15c3-1
 MARCH 31, 2007

COMPUTATION OF NET CAPITAL

Total ownership equity from statement of financial condition	\$ 145,092
Nonallowable assets - schedule attached	(8,148)
Haircuts - schedule attached	<u>(8,363)</u>

NET CAPITAL \$ 128,581

COMPUTATION OF NET CAPITAL REQUIREMENTS

Minimum net aggregate indebtedness - 6.66% of net aggregate indebtedness	\$ <u>1,273</u>
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Minimum dollar net capital required \$ 5,000

Net Capital required (greater of above amounts) \$ 5,000

EXCESS CAPITAL \$ 123,581

Excess net capital at 1000% (net capital less 10% of
aggregate indebtedness) \$ 126,672

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total liabilities \$ 19,090

Percentage of aggregate indebtedness to net capital 14.85%

The following is a reconciliation of the above net capital computation with the Company's corresponding unaudited computation pursuant to Rule 179-5(d)(4):

NET CAPITAL PER COMPANY'S COMPUTATION

Unaudited net capital	\$ 128,597
Adjust market fund haircut	<u>(16)</u>
Audited Net Capital	\$ <u><u>128,581</u></u>

See Accompanying Notes to Financial Statements

CPS INSURANCE & FINANCIAL SERVICES, INC.
NON-ALLOWABLE ASSETS
MARCH 31, 2007

NON-ALLOWABLE ASSETS

Accounts receivable	\$	6,928
Furniture and equipment, NET		<u>1,220</u>
	\$	<u><u>8,148</u></u>

HAIRCUTS

Stocks at market value \$55,649 @ 15%	\$	8,347
Market Fund 799 @ 2%		<u>16</u>
	\$	<u><u>8,363</u></u>

See Accompanying Notes to Financial Statements

PART II

CPS FINANCIAL & INSURANCE SERVICES, INC.

STATEMENT OF INTERNAL CONTROL

MARCH 31, 2007

George Brenner, CPA
A Professional Corporation
10680 W. PICO BOULEVARD, SUITE 260
LOS ANGELES, CALIFORNIA 90064
310/202-6445 – Fax 310/202-6494

REPORT OF INDEPENDENT AUDITOR
ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5

Board of Directors
CPS Financial & Insurance Services, Inc.
Irvine, California

In planning and performing my audit of the financial statements of CPS Financial & Insurance Services, Inc. (hereafter referred to as the "Company") for the year ended March 31, 2007, I considered its internal control, including control activities for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), I have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that I considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3 (a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, I did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by Rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide

Board of Directors
CPS Financial & Insurance Services, Inc.
Irvine, California

management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving internal control, including control activities for safeguarding securities, that I consider to be material weaknesses as defined above.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate at December 31, 2006 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



George Brenner, CPA

Los Angeles, California
May 25, 2006