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

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

OMB APPROVAL  
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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 07/01/08 AND ENDING 06/30/09  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: PACIFIC FINANCIAL ASSOCIATES INC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
30240 RANCHO VESO ROAD SUITE A  
(No. and Street)  
SAN JUAN CABALLERO CA  
(City) (State) (Zip Code) 92675

OFFICIAL USE ONLY  
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
CHARLES MANN 949 493 5900  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
ELIZABETH TRACTENBERG  
(Name - if individual, state last, first, middle name)  
10680 W. PICO 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.

**FOR OFFICIAL USE ONLY**

\*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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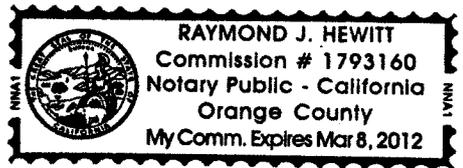
OATH OR AFFIRMATION

I, CHARLES MANN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of PACIFIC FINANCIAL ASSOCIATES INC, as of JUNE 30, 20 09, 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:

[Signature]  
Signature

PRESIDENT  
Title

[Signature]  
Notary Public



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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (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 with respect to methods of consolidation.
- (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).

**Pacific Financial Associates, Inc.**  
**Report Pursuant to Rule 17a-5 (d)**  
**Financial Statements**  
**For the Year Ended June 30, 2009**

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### PART II

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**Elizabeth Tractenberg, CPA**

3832 SHANNON ROAD  
LOS ANGELES, CALIFORNIA 90027  
323/669-0545 – Fax 323/669-0575

Independent Auditor's Report

Board of Directors  
Pacific Financial Associates, Inc.  
San Juan Capistrano, California

I have audited the accompanying statement of financial condition of Pacific Financial Associates, Inc. ("the Company"), as June 30, 2009 and the related statements of operations, cash flows, and changes in stockholder's equity for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. 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 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 Pacific Financial Associates, Inc. as of June 30, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Elizabeth Tractenberg, CPA  
Los Angeles, California  
August 4, 2009

Pacific Financial Associates, Inc.  
Statement of Financial Condition  
June 30, 2009

**Assets**

|                              |    |    |                          |
|------------------------------|----|----|--------------------------|
| Cash and cash equivalents    |    | \$ | 44,429                   |
| Clearing broker deposit      |    |    | 977                      |
| Commissions receivable       |    |    | 61,632                   |
| Investments                  |    |    | 6,393                    |
| Property and equipment       |    |    |                          |
| Equipment                    | \$ |    | 78,219                   |
| Furniture and fixtures       |    |    | 18,399                   |
| Leasehold improvements       |    |    | 40,000                   |
| Accumulated depreciation     |    |    | <u>(119,669)</u>         |
| Property and equipment - net |    |    | <u>16,949</u>            |
| <b>Total assets</b>          |    |    | <u><u>\$ 130,380</u></u> |

**Liabilities and Stockholder's Equity**

**Liabilities**

|   |  |    |                      |
|---|--|----|----------------------|
| Accounts payable and accrued expenses                   |  | \$ | 466                  |
| Income taxes payable                                    |  |    | 3,567                |
| Deferred tax liability                                  |  |    | 1,196                |
| Commissions payable                                     |  |    | <u>55,855</u>        |
|   |  |    | 61,084               |
| Liabilities subordinated to claims of general creditors |  |    | <u>30,000</u>        |
| <b>Total liabilities</b>                                |  |    | <u><u>91,084</u></u> |

**Stockholder's equity**

|   |  |  |                      |
|---|--|--|----------------------|
| Common stock (\$0 par value, 100,000 shares<br>authorized, 51,000 shares issued and<br>outstanding) |  |  | 0                    |
| Paid-in capital   |  |  | 2,000                |
| Retained earnings   |  |  | <u>37,296</u>        |
| <b>Total stockholder's equity</b>   |  |  | <u><u>39,296</u></u> |

|   |  |           |                              |
|---|--|-----------|------------------------------|
| <b>Total liabilities and stockholder's equity</b> |  | <b>\$</b> | <b><u><u>130,380</u></u></b> |
|---|--|-----------|------------------------------|

*The accompanying notes are an integral part of these financial statements.*

Pacific Financial Associates, Inc.  
Statement of Income  
For the year ended June 30, 2009

**Revenues**

|                                    |            |
|------------------------------------|------------|
| Commissions income                 | \$ 783,205 |
| Unrealized gain on securities held | 3,093      |
| Interest                           | 2,101      |
| <b>Total revenues</b>              | 788,399    |

**Expenses**

|                                      |         |
|--------------------------------------|---------|
| Commissions expense                  | 484,685 |
| Computer expense                     | 1,138   |
| Depreciation                         | 1,333   |
| Insurance                            | 11,856  |
| Interest expense                     | 3,156   |
| Office expense                       | 4,497   |
| Payroll taxes                        | 8,747   |
| Pension                              | 4,050   |
| Postage                              | 1,126   |
| Professional services                | 4,933   |
| Regulatory fees                      | 3,780   |
| Rent                                 | 84,000  |
| Repairs and maintenance              | 6,000   |
| Salaries, wages and related expenses | 135,000 |
| Telephone                            | 1,661   |
| Travel and entertainment             | 4,098   |
| Utilities                            | 2,668   |
| All other expenses and adjustments   | (124)   |
| <b>Total expenses</b>                | 762,604 |

|   |        |
|---|--------|
| Net income before income tax provisions | 25,795 |
|---|--------|

|                             |       |
|-----------------------------|-------|
| <b>Income tax provision</b> | 5,562 |
|-----------------------------|-------|

|                   |           |
|-------------------|-----------|
| <b>Net income</b> | \$ 20,233 |
|-------------------|-----------|

*The accompanying notes are an integral part of these financial statements.*

Pacific Financial Associates, Inc.  
Statement of Changes in Stockholder's Equity  
For the year ended June 30, 2009

|                        | Common<br>Stock<br>Shares | Common<br>Stock | Paid-In<br>Capital | Retained<br>Earnings | Total            |
|------------------------|---------------------------|-----------------|--------------------|----------------------|------------------|
| Balance, June 30, 2008 | 51,000                    | \$ 2,000        | \$ 0               | \$ 17,063            | \$ 19,063        |
| Net Income             |                           |                 |                    | 20,233               | 20,233           |
| Balance, June 30, 2009 | <u>51,000</u>             | <u>\$ 2,000</u> | <u>\$ 0</u>        | <u>\$ 37,296</u>     | <u>\$ 39,296</u> |

*The accompanying notes are an integral part of these financial statements.*

Pacific Financial Associates, Inc.  
Statement of Cash Flows  
For the year ended June 30, 2009

**Cash flows from operating activities:**

|   |           |
|---|-----------|
| Net income  | \$ 20,233 |
| Add back depreciation   | 1,333     |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |           |
| (Increase) decrease in:   |           |
| Clearing broker deposit   | (977)     |
| Commissions receivable  | (44,601)  |
| Value of investments  | (3,093)   |
| (Decrease) increase in:   |           |
| Accounts payable and accrued expenses   | 211       |
| Income taxes payable  | 3,567     |
| Deferred tax liability  | 1,196     |
| Loans payable - inventory   | 40,528    |
| Net cash and cash equivalents provided by (used in) operating activities                    | 18,397    |

**Cash flows from investing activities:**

|   |                |
|---|----------------|
| Purchase of equipment   | (1,317)        |
| <b>Net cash and cash equivalents (used in) investing activities</b> | <b>(1,317)</b> |

**Cash flows from financing activities:**

|   |                  |
|---|------------------|
|   | -                |
| <b>Net increase (decrease) in cash and cash equivalents</b> | 17,080           |
| <b>Cash and cash equivalents at beginning of year</b>       | 27,349           |
| <b>Cash and cash equivalents at end of year</b>             | <b>\$ 44,429</b> |

**Supplemental disclosure of cash flow information:**

|                        |          |
|------------------------|----------|
| Cash paid for interest | \$ 3,156 |
| Cash paid for taxes    | \$ 800   |

*The accompanying notes are an integral part of these financial statements.*

**Pacific Financial Associates, Inc.**  
**Notes to Financial Statements**  
**June 30, 2009**

**Note 1 – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*General*

Pacific Financial Associates, Inc. (the “Company”) was organized in the state of California on September 24, 1984. The Company is a registered broker/dealer under the Securities and Exchange Act of 1934 and is a member of the Financial Industry Regulatory Agency (FINRA) and the Securities Investment Protection Corporation (“SIPC”).

The Company provides investment-banking services in raising capital or acquiring or divesting operations to companies located in the United States of America.

*Summary of Significant Accounting Policies*

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

For purposes relating to the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company also includes money market fund accounts as cash equivalents.

Current income taxes are provided for estimated taxes payable or refundable based on tax returns filed. Deferred income taxes are recognized for the estimated future tax effects attributable to temporary differences in the basis of assets and liabilities for financial and tax reporting purposes. Measurement of current and deferred tax assets and liabilities is based on provisions of enacted federal and state tax laws.

The Company accounts for its income taxes using the Financial Accounting Standards Board Statement of Financial Accounting Standards N. 109, “Accounting for income taxes”, which requires the establishment of a deferred tax asset or liability for the recognition of the future deductible or taxable amounts and operating loss and tax credit carry forwards. Deferred tax expenses of benefits are recognized as a result of the changes in the assets and liabilities is based on provisions of enacted federal and state tax laws.

Property and equipment are carried at cost. Depreciation is calculated on the accelerated methods over estimated economic lives of 5 to 7 years. Leasehold improvements are computed on a straight line method over 31.5 years.

**Pacific Financial Associates, Inc.**  
**Notes to Financial Statements**  
**June 30, 2009**

**Note 2: INCOME TAXES**

The components of the income tax provision are as follows:

|                          | <u><b>Current</b></u> | <u><b>Deferred</b></u> | <u><b>Total</b></u> |
|--------------------------|-----------------------|------------------------|---------------------|
| State tax expense        | \$ 1,715              | \$ 469                 | \$ 2,184            |
| Federal tax expense      | <u>2,652</u>          | <u>726</u>             | <u>3,378</u>        |
| Total income tax expense | <u>\$ 4,367</u>       | <u>\$ 1,195</u>        | <u>\$ 5,562</u>     |

The Company has available at June 30, 2009, \$2,528 unused operating loss carry-forwards, which were applied against current taxable income.

**Note 3: NOTE PAYABLE – STOCKHOLDER**

\$30,000 loan from stockholder at 10% per annum, with principal due February 28, 2010. The entire \$30,000 has been designated and approved by FINRA as a subordinated loan.

**Note 4: RELATED PARTY TRANSACTIONS**

The Company has a long term lease agreement with the sole stockholder. See Note 6.

**Note 5: SALARY DEFERRAL PLAN**

The Company has a salary deferral plan for the benefit of its employees called a SIMPLE IRA plan. Under a SIMPLE IRA plan, the employer makes contributions to traditional IRAs (SIMPLE IRAs) set up for each of its eligible employees. Each employee is always 100% vested in (or, has ownership of) all money in his or her SIMPLE IRA. During the year ended June 30, 2009, the Company contributed \$4,050 or 3% of salary.

**Pacific Financial Associates, Inc.**  
**Notes to Financial Statements**  
**June 30, 2009**

**Note 6 – COMMITMENTS AND CONTINGENCIES**

*Commitments*

The Company rents facilities under a non-cancelable triple net agreement expiring February 28, 2014 from a company owned by the sole stockholder of Pacific Financial Associates, Inc. The future minimum annual aggregate lease payments required under operating leases that have initial or remaining non cancelable lease terms in excess of one year are as follow:

|      |                   |
|------|-------------------|
| 2010 | \$ 84,000         |
| 2011 | 84,000            |
| 2012 | 84,000            |
| 2013 | 84,000            |
| 2014 | <u>56,000</u>     |
|      | <u>\$ 392,000</u> |

Rental expense for the year was \$84,000 for the fiscal year ended June 30, 2009.

*Contingencies*

The Company maintains several bank accounts at financial institutions. These accounts are insured either by the Federal Deposit Insurance Commission (“FDIC”), up to \$100,000, or the Securities Investor Protection Corporation (“SIPC”), up to \$500,000. Effective October 3, 2008, the FDIC insurance limit was increased to \$250,000. This new limit is applicable through December 31, 2009.

At times during the year ended June 30, 2009, cash balances held in financial institutions were in excess of the FDIC and SIPC’s insured limits. The Company has not experienced any losses in these accounts and management believes that it has placed its cash on deposit with financial institutions which are financially stable.

**Note 7 – OFF BALANCE SHEET RISK**

The Company maintains a bank account at a financial institution with a balance that may exceed \$250,000 from time to time, the statutory limit of federal depository insurance. Should this financial institution fail, the Company could possibly incur a material loss.

**Pacific Financial Associates, Inc.**  
**Notes to Financial Statements**  
**June 30, 2009**

**Note 8: NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change day to day, but on June 30, 2009, the Company had a net capital of \$45,533, which was \$40,533 in excess of its required net capital of \$5,000; and the Company's ratio of aggregate indebtedness (\$61,084) to net capital was 1.34 to 1, which is less than the 15 to 1 maximum ratio allowed for a broker/dealer.

Pacific Financial Associates, Inc.  
Statement of Liabilities Subordinated to Creditors  
June 30, 2009

|                                 | Balance<br>June 30, 2008 | Additions | Deletions | Balance<br>June 30, 2009 |
|---------------------------------|--------------------------|-----------|-----------|--------------------------|
| Charles Mann                    | \$                       | \$        | \$        | \$                       |
| 10% interest, payable monthly   |                          |           |           |                          |
| principal due February 28, 2010 | 30,000                   | 0         | 0         | 30,000                   |
| <br>Total                       | \$ 30,000                | \$ 0      | \$ 0      | \$ 30,000                |

*The accompanying notes are an integral part of these financial statements.*



**Pacific Financial Associates, Inc.**  
**Schedule II – Computation for Determination of Reserve**  
**Requirements Pursuant to Rule 15c3-3**  
**As of June 30, 2009**

A computation of reserve requirements is not applicable to Pacific Financial Associates, Inc. as the Pacific Financial Associates, Inc. qualifies for exemption under Rule 15c3-3(k) (2) (ii)

*See independent auditor's report.*

**Pacific Financial Associates, Inc.**  
**Schedule III – Information Relating to Possession or Control**  
**Requirements Under Rule 15c3-3**  
**As of June 30, 2009**

Information relating to possession or control requirements is not applicable to Pacific Financial Associates, Inc. as the Company qualifies for exemption under Rule 15c3-3(k) (2) (ii).

*See independent auditor's report.*