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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
8-44065

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 01/01/08 AND ENDING 12/31/08
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: AMERICAN FINANCIAL ASSOCIATES, INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1700 NORTHAMPTON STREET, P.O. BOX 1659

(No. and Street)

EASTON

PA

18044

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KIRK, SUMMA & CO., LLP

(Name - if individual, state last, first, middle name)

1405 N. CEDAR CREST BLVD., SUITE 102, ALLENTOWN, PA 18104

(Address)

(City)

(State)

(Zip Code)

SEC Mail Processing
Section

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Washington, DC
111

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)

SEC 1410 (06-02)

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AS
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OATH OR AFFIRMATION

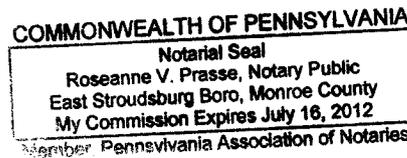
I, HENRY D'ALBERTO, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of AMERICAN FINANCIAL ASSOCIATES, INC., as of DECEMBER 31, 20 08, are true and correct. I further swear (or affirm) that neither the 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:

NO EXCEPTIONS

[Handwritten Signature]
Signature

PRESIDENT
Title

[Handwritten 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).

AMERICAN FINANCIAL ASSOCIATES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

CONTENTS

INDEPENDENT AUDITORS' REPORT	3
STATEMENTS OF FINANCIAL CONDITION	4
STATEMENTS OF INCOME	5
STATEMENTS OF CHANGES IN LIABILITIES SUBORDINATED BORROWINGS	6
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY	7
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5 FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3	12
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATON REQUIRED BY RULE 17a-5(g)(1) OF THE SECURITIES AND EXCHANGE COMMISSION	14
STATEMENTS OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	15
STATEMENTS OF NET CAPITAL RECONCILIATION	16
FINANCIAL STATEMENT DISTRIBUTION LIST	17

KIRK, SUMMA & CO., LLP

CERTIFIED PUBLIC ACCOUNTANTS

1405 NORTH CEDAR CREST BOULEVARD
SUITE 102
ALLENTOWN, PENNSYLVANIA 18104
610-770-9889
FAX 610-770-0177

DALE E. KIRK, C.P.A.

KEVIN D. SUMMA, C.P.A.

OTHER OFFICES

BRODHEADSVILLE, PA
570-992-5876

EAST STROUDSBURG, PA
570-421-0753

INDEPENDENT AUDITOR'S REPORT

Board of Directors
American Financial Associates, Inc.

We have audited the accompanying statements of financial condition of American Financial Associates, Inc. as of December 31, 2008 and 2007, and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the years 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. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Financial Associates, Inc. at December 31, 2008 and 2007, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Kirk, Summa & Co., LLP

February 23, 2009
Allentown, PA

**AMERICAN FINANCIAL ASSOCIATES, INC.
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2008 AND 2007**

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 17,835	\$ 89,070
Certificate of deposit	25,111	35,681
Commissions receivable	11,462	8,389
Prepaid federal taxes	2,057	-
TOTAL CURRENT ASSETS	56,465	133,140
FIXED ASSETS		
Office Equipment	53,359	53,359
Furniture & Fixtures	1,781	1,781
Less: Accumulated depreciation	(54,662)	(54,316)
TOTAL FIXED ASSETS	478	824
TOTAL ASSETS	\$ 56,943	\$ 133,964
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 2,696	\$ 921
Bank overdrafts	639	-
Commissions payable	8,597	33,378
Loan payable - officer	-	2,000
Accrued income tax	-	10,500
TOTAL CURRENT LIABILITIES	11,932	46,799
STOCKHOLDERS' EQUITY		
Common stock \$10 par value, 10,000 shares authorized, 8,165 shares issued and outstanding	81,650	81,650
Retained earnings (deficit)	(36,639)	5,515
TOTAL STOCKHOLDERS' EQUITY	45,011	87,165
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 56,943	\$ 133,964

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

AMERICAN FINANCIAL ASSOCIATES, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Commissions	\$ 636,034	\$ 895,348
Interest income	988	1,528
Miscellaneous income	-	2,678
TOTAL REVENUES	<u>637,022</u>	<u>899,554</u>
 SELLING EXPENSES	 546,760	 712,832
 GENERAL AND ADMINISTRATIVE EXPENSES	 <u>132,416</u>	 <u>126,710</u>
TOTAL SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>679,176</u>	<u>839,542</u>
 NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	 (42,154)	 60,012
 PROVISION FOR INCOME TAXES	 <u>-</u>	 <u>10,500</u>
 NET INCOME (LOSS) AFTER TAXES	 <u>\$ (42,154)</u>	 <u>\$ 49,512</u>

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

AMERICAN FINANCIAL ASSOCIATES, INC.
STATEMENTS OF CHANGES IN LIABILITIES SUBORDINATED BORROWINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Beginning Liability - January 1	\$ 2,000	\$ 6,000
Additions:	<u>-</u>	<u>-</u>
Subtractions:	<u>2,000</u>	<u>4,000</u>
Ending Balance - December 31	<u>\$ -</u>	<u>\$ 2,000</u>

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

**AMERICAN FINANCIAL ASSOCIATES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>Common Stock</u>		<u>Retained</u>	<u>Total Stockholders'</u>
	<u>Shares</u>	<u>Amount</u>	<u>Earnings</u>	<u>Equity</u>
Balances at January 1, 2008	\$ 8,165	\$ 81,650	\$ 5,515	\$ 87,165
Net (Loss)			(42,154)	
Balance at December 31, 2008	<u>\$ 8,165</u>	<u>\$ 81,650</u>	<u>\$ (36,639)</u>	<u>\$ 45,011</u>

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

AMERICAN FINANCIAL ASSOCIATES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (42,154)	\$ 49,512
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Items in net income not affecting cash:		
Depreciation	346	432
(Increase) decrease in current assets:		
Commissions receivable	(3,073)	4,443
Certificate of deposit	10,570	(1,528)
Prepaid federal tax	(2,057)	-
Increase (decrease) in current liabilities:		
Accounts payable	1,775	(2,144)
Bank overdrafts	639	(2,128)
Commissions payable	(24,781)	23,754
Accrued income tax	(10,500)	10,500
Loan payable -officer	(2,000)	(4,000)
TOTAL ADJUSTMENTS	(29,081)	29,329
NET CASH PROVIDED BY OPERATING ACTIVITIES	(71,235)	78,841
CASH FLOWS FROM INVESTING ACTIVITIES		
Refund of deposit	-	5,000
NET CASH USED IN INVESTING ACTIVITIES	-	5,000
NET INCREASE IN CASH	(71,235)	83,841
CASH AT BEGINNING OF YEAR	89,070	5,229
CASH AT END OF YEAR	\$ 17,835	\$ 89,070
SUPPLEMENTARY DISCLOSURES:		
Interest paid	\$ 65	\$ -
Income taxes paid	\$ 12,557	\$ -

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

**AMERICAN FINANCIAL ASSOCIATES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Business and Organization

American Financial Associates, Inc. (the Company) was organized on July 25, 1991 for the purpose of selling mutual funds and life insurance. In 1994 the Company also began acting as a discount broker. The Company has brokers in the states of Pennsylvania, New Jersey and Oregon. Approximately sixty percent of the Company's business is conducted in Pennsylvania, and the major source of revenue comes from selling mutual funds.

Cash Equivalents

Cash equivalents are highly liquid debt instruments purchased with maturities of three months or less.

Bad Debts

The Company uses the direct write-off method of accounting for losses arising from uncollectible accounts receivable. Under this method, accounts receivable are written-off to bad debt expense in the period they are deemed uncollectible. There were no bad debt expenses for the years ended December 31, 2008 or 2007.

Use of Estimates

The presentation of financial statements in conformity with GAAP 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.

Depreciation

Equipment and furniture are stated at cost and are depreciated under the straight line basis over estimated useful lives of five to seven years. Depreciation was \$346 and \$432 respectively for 2008 and 2007.

Maintenance and Repairs

Property and equipment are carried at cost less accumulated depreciation. Depreciation is deducted on a straight-line basis and is provided over the useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income.

**AMERICAN FINANCIAL ASSOCIATES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES-continued

Rent Expense

The Company has a month-to-month rental with no signed lease. Rent is \$900 per month for the last two years and is expensed when paid. Rent expense was \$10,800 for 2008 and 2007.

Commissions Receivable

Commissions' receivable consists of fees earned primarily on the selling of mutual funds. The Company receives payment within a short time of the transactions. No allowance for doubtful accounts has been provided for as the continuing relationships over many years have assured collection.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements.

NOTE B – COMPUTATION OF NET CAPITAL

	<u>2008</u>	<u>2007</u>
Gross capital	\$ 44,955	\$ 87,165
Add: Liabilities subordinated to claims of general creditors allowable in computation of net capital	-	2,000
Deduct Non-allowable Assets - Property, and Equipment, and Prepaid Expenses	<u>(478)</u>	<u>(4,789)</u>
Net capital	<u>44,477</u>	<u>84,376</u>
Net capital requirement	<u>5,000</u>	<u>5,000</u>
Excess net capital	<u>\$ 39,477</u>	<u>\$ 79,376</u>
Allowable aggregate indebtedness (12 times net capital)	<u>\$ 473,724</u>	<u>\$ 952,512</u>
Actual aggregate indebtedness	<u>\$ 11,932</u>	<u>\$ 44,799</u>

AMERICAN FINANCIAL ASSOCIATES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE C – CERTIFICATE OF DEPOSIT

A certificate of deposit was purchased from Sovereign Bank on November 19, 2003 in the amount of \$30,000. The term is nine months and bears interest at 3.97 percent annually. The certificate of deposit has been continually renewed every six months. The value of the certificate of deposit was \$25,111 and \$35,681 at December 31, 2008 and 2007, respectively.

NOTE D - ADVERTISING COST

Advertising costs of \$2,450 and \$5,331 were incurred for the years ended December 31, 2008 and 2007, respectively. All advertising costs are expensed as incurred.

NOTE E – RELATED PARTY TRANSACTIONS

The loan payable - officer was from a shareholder – officer, Henry R. D'Alberto. There is no interest paid and no stated terms of repayment or interest.

NOTE F – INCOME TAXES

Income tax expense includes federal and state income taxes due currently after using up prior net operating losses. The provision for income tax amounts to \$0 in 2008 and \$10,500 for 2007. The components of the provision for income taxes for the years ended December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Current - Federal	\$ -	\$6,300
- State	-	4,200
	<u>\$ -</u>	<u>\$10,500</u>

The corporate tax returns have not been prepared for the year ended December 31, 2008. There will be net operating losses which can be carried back or carried forward.

NOTE G – EXEMPTIVE PROVISIONS

An exemption is claimed from SEC Rule 15c-3-3 under c(k) (2) (ii) – All customer transactions cleared through another broker-dealer on a fully disclosed basis.

The following is the clearing firm:

SEC # - 801-13059

Name – Dain Rauscher

KIRK, SUMMA & CO., LLP

CERTIFIED PUBLIC ACCOUNTANTS

1405 NORTH CEDAR CREST BOULEVARD
SUITE 102
ALLENTOWN, PENNSYLVANIA 18104
610-770-9889
FAX 610-770-0177

DALE E. KIRK, C.P.A.

KEVIN D. SUMMA, C.P.A.

OTHER OFFICES

BRODHEADSVILLE, PA
570-992-5876

EAST STROUDSBURG, PA
570-421-0753

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1) FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3

Board of Directors
American Financial Associates, Inc.

In planning and performing our audit of the accompanying financial statements and supplementary schedule of American Financial Associates, Inc. (the Company), as of and for the years ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we 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, we 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 and recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of 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 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 and 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

We 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 our study, we believe that the Company's practices and procedures were adequate at December 31, 2008 and 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, 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.

Kirk, Summa & Co., LLP

February 23, 2009
Allentown, PA

KIRK, SUMMA & CO., LLP

CERTIFIED PUBLIC ACCOUNTANTS

1405 NORTH CEDAR CREST BOULEVARD
SUITE 102
ALLENTOWN, PENNSYLVANIA 18104
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BRODHEADSVILLE, PA
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EAST STROUDSBURG, PA
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**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION
REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION**

Board of Directors
American Financial Associates, Inc.

We have audited the accompanying financial statements of American Financial Associates, Inc. as of and for the year ended December 31, 2008 and 2007, and have issued our report thereon dated February 23, 2009. Our audits are conducted for the purposes of forming an opinion on the basic financial statements taken as a whole. The information contained in the following statements are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kirk, Summa & Co., LLP

February 23, 2009
Allentown, PA

AMERICAN FINANCIAL ASSOCIATES, INC.
STATEMENTS OF SELLING, GENERAL
AND ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
SELLING EXPENSES		
Advertising	\$ 2,450	\$ 5,331
Auto lease and expense	6,497	6,729
Commissions	529,187	692,408
Entertainment	674	1,192
Meetings	2,454	-
Regulatory fees	1,422	5,489
Training programs	40	728
Travel	4,036	955
TOTAL SELLING EXPENSES	<u>546,760</u>	<u>712,832</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Bank and other charges	1,213	320
Computer expenses	3,969	2,591
Contributions	250	130
Depreciation	346	432
Dues and subscriptions	2,184	139
Employee benefits	11,061	13,677
Insurance	1,602	2,571
Interest	65	-
Licenses and permits	5,159	6,327
Miscellaneous	18	1,218
Office supplies	5,193	4,628
Payroll taxes	5,710	5,236
Penalties	317	-
Postage	1,740	2,332
Professional fees	7,274	7,174
Rent	10,800	10,800
Repairs and maintenance	2,354	938
Salaries	65,367	59,346
Sales expenses	-	269
Telephone	5,710	6,393
Utilities	2,084	2,189
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>132,416</u>	<u>126,710</u>
TOTAL SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 679,176</u>	<u>\$ 839,542</u>

**AMERICAN FINANCIAL ASSOCIATES, INC.
STATEMENTS OF NET CAPITAL RECONCILIATION
AUDITED REPORT VS. UNAUDITED FOCUS REPORT
DECEMBER 31, 2008 AND 2007**

	Per Focus Report Form X-17A-5		Adjustments		Per Audited Financial Report	
	2008	2007	2008	2007	2008	2007
	A) Gross Capital	\$ 43,868	\$ 85,059	\$ 1,087	\$ 2,106	\$ 44,955
B) Add:						
Liabilities subordinated to claims of general creditors allowable in computation of net capital	-	2,000	-	-	-	2,000
C) Deduct:						
Total nonallowable assets from Statement of Financial Condition	(478)	(4,789)	-	-	(478)	(4,789)
Net capital	\$ 43,390	\$ 82,270	\$ 1,087	\$ 2,106	\$ 44,477	\$ 84,376

A) Reconciliation of Adjustments:	2008	2007
Adjustments to Gross Capital:		
Adjustment to receivables	\$ 1,087	\$ 578
Adjustment to Certificate of Deposit	-	1,528
Total Adjustments	\$ 1,087	\$ 2,106

**AMERICAN FINANCIAL ASSOCIATES, INC.
 FINANCIAL STATEMENT DISTRIBUTION LIST
 DECEMBER 31, 2008**

Copies

American Financial Associates, Inc. 1700 Northampton Street PO Box 1659 Easton, PA 18044-1659	5
NASD Member Regulation Programs/Systems Support 9509 Key West Avenue, 3 rd Floor Rockville, MD 20850.....	1
Securities and Exchange Commission 450 Fifth Street, N.W. Washington, DC 20549	1
Securities and Exchange Commission Mellon Independence Center 701 Market Street Suite 2000 Philadelphia, PA 19106	1
Securities and Exchange Commission 233 Broadway New York, NY 10279	1
FINRA Attn: Rachel Shirley 1818 Market Street 14 th Floor Philadelphia, PA 19103	1