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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**

FEB 28 2011

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Washington, DC  
110

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 01/01/10 AND ENDING 12/31/10  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Founders Financial Securities, LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
1020 Cromwell Bridge Road

OFFICIAL USE ONLY  
FIRM I.D. NO.

(No. and Street)  
Towson MD 21286  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Karen Steighner (303) 795-0400  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Spicer Jeffries LLP

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

5251 S. Quebec Street, Suite 200 Greenwood Village CO 80111  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

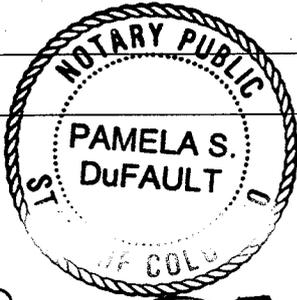
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

JP  
3/9/2011

OATH OR AFFIRMATION

I, Karen Steighner, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Founders Financial Securities, LLC, as of December 31, 2010, 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:



*Pamela S. DuFault*

Notary Public

*[Handwritten Signature]*

Signature

Chief Financial Officer

Title

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 of Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital (including reconciliation of X-17A-5 Part II filing with this Rule 17a-5(d) report, if applicable).
- (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 15c3-3 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.
- (o) Independant Auditors' Report on Internal Accounting Control.

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

**FOUNDERS FINANCIAL SECURITIES, LLC**

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CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors of  
Founders Financial Securities, LLC

We have audited the accompanying statement of financial condition of Founders Financial Securities, LLC as of December 31, 2010 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement 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 statement of financial condition is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Founders Financial Securities, LLC as of December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

*Spicer Jeffries LLP*

Greenwood Village, Colorado  
February 6, 2011



**FOUNDERS FINANCIAL SECURITIES, LLC**

**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2010**

**ASSETS**

Cash and cash equivalents	\$	819,482
Commissions receivable		702,054
Other receivables		73,486
Property and equipment, at cost, net of accumulated depreciation of \$10,977		46,430
Prepaid and other assets		78,458
		<hr/>
	\$	<b><u>1,719,910</u></b>

**LIABILITIES AND MEMBER'S EQUITY**

**LIABILITIES:**

Accounts payable and accrued expenses	\$	189,331
Commissions and salaries payable		738,059
Note payable (Note 3)		39,256
		<hr/>

*Total liabilities* 966,646

**COMMITMENTS AND CONTINGENCIES (Notes 4 and 5)**

**MEMBER'S EQUITY (Notes 1 and 2)** 

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 753,264

*Total liabilities and member's equity* 

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**\$ 1,719,910**

# FOUNDERS FINANCIAL SECURITIES, LLC

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization**

Founders Financial Securities, LLC (the "Company"), a Maryland limited liability company was formed in 2004. The Company began operations as a securities broker-dealer registered with the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory, Inc. ("FINRA") on April 6, 2006. The Company's operations consist primarily of providing financial advisory and wealth management services. The Company earns revenues from commissions and fees earned from fund companies and clearing houses who maintain all customer accounts on behalf of the Company. The Company is a wholly owned subsidiary of Founders Financial, Inc.

#### **Clearing Agreement**

The Company, under Rule 15c3-3(k)(2)(ii), is exempt from the reserve and possession or control requirements of Rule 15c3-3 of the Securities and Exchange Commission. The Company does not carry or clear customer accounts. Accordingly, all customer transactions are executed and cleared on behalf of the Company by its clearing broker on a fully disclosed basis. The Company's agreements with its clearing brokers provides that as clearing broker, that firm will make and keep such records of the transactions effected and cleared in the customer accounts as are customarily made and kept by a clearing broker pursuant to the requirements of Rules 17a-3 and 17a-4 of the Securities and Exchange Act of 1934, as amended (the "Act"). It also performs all services customarily incident thereon, including the preparation and distribution of customer's confirmation and statements and maintenance margin requirements under the Act and the rules of the Self Regulatory Organizations of which the Company is a member.

#### **Use of Estimates**

The preparation 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 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.

#### **Cash Equivalents**

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

#### **Revenue Recognition and Deferred Revenue**

Securities transactions and commission revenue and expense are recorded on a trade date basis. Revenue from financial advisory services accrue under the terms of the respective advisory contracts and deferred revenue arises from timing differences between when the cash is received and the completion of the services.

FOUNDERS FINANCIAL SECURITIES, LLC

NOTES TO FINANCIAL STATEMENTS

(Continued)

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
*(continued)*

*Commissions Receivable*

Commissions receivable is comprised of commissions earned but not received. The Company utilizes the allowance method to provide for doubtful accounts based on management's evaluation of the collectability of commissions receivable. Based on historical experience and current review of commissions receivable, management believes all receivables will be collected, accordingly an allowance has not been established.

*Property and Equipment*

Property and equipment is stated at cost less accumulated depreciation. The Company provides for depreciation on a straight-line method based on the estimated useful lives of the assets which is estimated to be three years.

*Valuation of Long Lived Assets*

The Company accounts for the valuation of long lived assets under ASC 360-10 *Property, Plant and Equipment*. ASC 360-10 requires that long lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As of December 31, 2010, management does not believe any long lived assets are impaired and has not identified any assets that are being held for disposal.

*Income Taxes*

No provision for income taxes is provided since the Company is considered a disregarded entity for federal and state income tax purposes. The member reports the Company's taxable income or loss on its respective income tax return.

The Company is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any tax related appeals or litigation processes, based on the technical merits of the position. The Company files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states. The Company is not subject to income tax return examinations by major taxing authorities for years before 2007. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized results in the Company recording a tax liability that reduces net assets. However, the Company's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof. The Company recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in income taxes payable, if assessed. No interest expense or penalties have been recognized as of and for the year ended December 31, 2010.

# FOUNDERS FINANCIAL SECURITIES, LLC

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### ***NOTE 2 - NET CAPITAL***

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. At December 31, 2010, the Company had net capital and net capital requirements of \$416,998 and \$64,443, respectively. The Company's net capital ratio (aggregate indebtedness to net capital) was 2.32 to 1. According to Rule 15c3-1, the Company's net capital ratio shall not exceed 15 to 1.

### ***NOTE 3 - NOTES PAYABLE***

On July 15, 2009, the Company entered into a promissory note with an unrelated party totaling \$78,511. The note is non-interest bearing, unsecured, payable in 36 equal installments and due on June 15, 2012. Aggregate maturities of the note in 2011 and 2012 are \$26,172 and \$13,084, respectively.

### ***NOTE 4 - COMMITMENTS AND RELATED PARTY TRANSACTIONS***

The Company leases office space under a non-cancelable operating lease from an affiliated entity by virtue of common ownership expiring December 31, 2011. The lease requires future minimum monthly payments of \$1,416 through 2011 and is renewable for three successive one year terms.

Rent expense for the year ended December 31, 2010 was approximately \$18,000.

The Company pays its parent a management fee for conducting the affairs of the Company. For the year ended December 31, 2010 the Company paid \$580,625 in management fees to its parent.

### ***NOTE 5 - FINANCIAL INSTRUMENTS, OFF-BALANCE SHEET RISKS AND UNCERTAINTIES***

In the normal course of business, the Company's activities through its clearing broker involve the execution, settlement and financing of various customer securities transactions. These activities may expose the Company to off-balance sheet risk. In the event a customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the customer's obligations.

In addition, the Company bears the risk of financial failure by its clearing broker. If the clearing broker should cease doing business, the Company's receivable from this clearing broker could be subject to forfeiture.

**FOUNDERS FINANCIAL SECURITIES, LLC**

**NOTES TO FINANCIAL STATEMENTS**

**(Continued)**

**NOTE 5 - FINANCIAL INSTRUMENTS, OFF-BALANCE SHEET RISKS  
AND UNCERTAINTIES (concluded)**

The Company's financial instruments, including cash and cash equivalents, receivables, prepaid expenses and other assets, accounts payable and accrued expenses, commissions and salaries payable and notes payable are carried at amounts that approximate fair value, due to the short-term nature of the instruments.

The Company also maintains its cash balances in several financial institutions, which at times may exceed federally insured limits. As of December 31, 2010, the Company did not hold cash balances in excess of the federally insured limit. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE 6 - SUBSEQUENT EVENTS**

The Company has performed an evaluation of subsequent events through the date the financial statements were issued. The evaluation did not result in any subsequent events that required disclosures and/or adjustments.



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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Member of  
Founders Financial Securities, LLC  
1020 Cromwell Bridge Road  
Towson, MD 21286

SEC Mail Processing  
Section

FEB 28 2011

Washington, DC

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying General Assessment Reconciliation (Form SIPC-7) to the Securities Investor Protection Corporation ("SIPC") for the year ended December 31, 2010, which were agreed to by Founders Financial Securities, LLC (the "Company"), the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you and the other specified parties in evaluating the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). The Company's management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 (FOCUS Report) for the year ended December 31, 2010, with the amounts reported in Form SIPC-7 for the year ended December 31, 2010, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences; and
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences.



We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Spicer Jeffries LLP*

Greenwood Village, Colorado  
February 18, 2011

**FOUNDERS FINANCIAL SECURITIES, LLC**

**GENERAL ASSESSMENT RECONCILIATION  
PURSUANT TO FORM SIPC-7  
DECEMBER 31, 2010**

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General Assessment per Form SIPC-7, including interest	\$ 10,015
Less payment made with Form SIPC-6	<u>2,890</u>
Amount paid with Form SIPC-7	<u>\$ 7,125</u>

**FOUNDERS FINANCIAL SECURITIES, LLC**

**STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2010**

The report is filed in accordance with Rule 17a-5(e)(3) under the Securities Exchange Act of 1934 as a **PUBLIC DOCUMENT**.