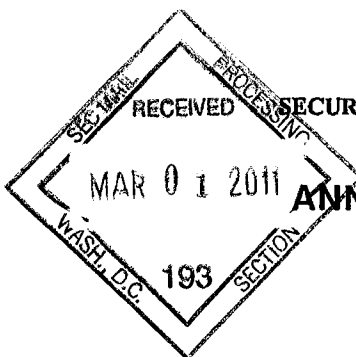


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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

|                                                  |                   |
|--------------------------------------------------|-------------------|
| OMB APPROVAL                                     |                   |
| OMB Number:                                      | 3235-0123         |
| Expires:                                         | February 28, 2010 |
| Estimated average burden<br>hours per response.. | 12.00             |

|                    |
|--------------------|
| SEC FILE NUMBER    |
| <del>8-49653</del> |

8-49653

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 January 1, 2010 AND ENDING December 31, 2010  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: ~~Carolina Financial Securities LLC~~  
Carolina Financial Securities, LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
185 West Main Street

|                   |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM I.D. NO.     |

Brevard NC 28712  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Nicholas Craig Gilmore 828-883-4400 828-393-0088  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Vance Flouhouse & Garges, PLLC

7725 Ballantyne Commons Pkwy, Ste 103 Charlotte NC 28277  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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



11020371

**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)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

## OATH OR AFFIRMATION

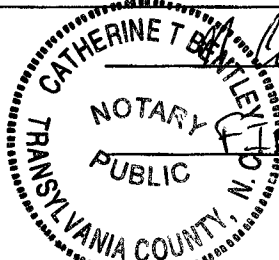
I, Nicholas Craig Gilmore, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Carolina Financial Securities, LLC, as of December 31, 2010, are true and correct. I further swear (or affirm) that neither 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:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Catherine Bentley  
Notary Public



Signature

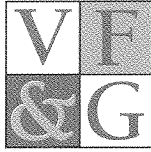
Title

**My Commission Expires March 31, 2013**

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).**



VANCE FLOUHOUSE & GARGES, PLLC  
Certified Public Accountants and Consultants

## INDEPENDENT AUDITORS' REPORT

To the Members of  
Carolina Financial Securities, LLC  
Brevard, North Carolina

We have audited the accompanying balance sheet of Carolina Financial Securities, LLC (a North Carolina Limited Liability Company) as of December 31, 2010 and 2009, and the related statements of operations, member equity, and cash flows for the year then ended. 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 audits.

We conducted our audits 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 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. We believe that our audits provide 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 Carolina Financial Securities, LLC as of December 31, 2010 and 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.

*Vance Flouhouse & Garges PLLC*

Charlotte, North Carolina  
February 21, 2011

CAROLINA FINANCIAL SECURITIES, LLC

BALANCE SHEETS

December 31,

|                                       | <u>2010</u>       | <u>2009</u>       |
|---------------------------------------|-------------------|-------------------|
| <b>ASSETS</b>                         |                   |                   |
| Cash and cash equivalents             | \$ 35,615         | \$ 26,499         |
| Accounts receivable, net              | 10,769            | 7,264             |
| Prepaid expenses                      | 142               | 142               |
| Due from related party                | <u>83,628</u>     | <u>120,657</u>    |
| Total current assets                  | 130,154           | 154,562           |
| Property and equipment, net           | 2,376             | 5,613             |
| Investments, at cost                  | 7,591             | 7,591             |
| Due from member                       | <u>14,529</u>     | <u>14,529</u>     |
| Total assets                          | <u>\$ 154,650</u> | <u>\$ 182,295</u> |
| <b>MEMBER EQUITY</b>                  |                   |                   |
| Accounts payable and accrued expenses | <u>\$ 25,247</u>  | <u>\$ 4,434</u>   |
| Total liabilities                     | 25,247            | 4,434             |
| Member equity                         | <u>129,403</u>    | <u>177,861</u>    |
| Total member equity                   | <u>\$ 154,650</u> | <u>\$ 182,295</u> |

See notes to financial statements

CAROLINA FINANCIAL SECURITIES, LLC

STATEMENTS OF OPERATIONS

For the years ended December 31,

|                              | 2010                | 2009             |
|------------------------------|---------------------|------------------|
| Fee income                   | 344,427             | 523,629          |
| Bad debt recovered           | -                   | 3,750            |
|                              | <u>344,427</u>      | <u>527,379</u>   |
| Commissions and direct costs | 243,659             | 370,484          |
| Licenses and permits         | 19,277              | 11,416           |
| Rent                         | 12,554              | 13,826           |
| Utilities                    | 1,399               | 1,193            |
| Professional fees            | 107,943             | 17,243           |
| Bad debt expense             | 19,529              | -                |
| Telephone                    | 7,409               | 6,499            |
| Insurance                    | 4,984               | 5,350            |
| Depreciation                 | 4,465               | 4,465            |
| Dues and subscriptions       | 1,536               | 1,639            |
| Advertising                  | -                   | 1,068            |
| Office expenses and supplies | 1,543               | 4,250            |
| Printing and reproduction    | 3,781               | 2,638            |
| Postage and delivery         | 1,487               | 774              |
| Property taxes               | 311                 | 303              |
| Travel                       | 15,361              | 17,697           |
| Interest expense             | 6,341               | 4,942            |
| Other operating expenses     | <u>1,306</u>        | <u>1,817</u>     |
|                              | <u>452,885</u>      | <u>465,604</u>   |
| Net income (loss)            | <u>\$ (108,458)</u> | <u>\$ 61,775</u> |

See notes to financial statements

CAROLINA FINANCIAL SECURITIES, LLC

STATEMENTS OF CHANGES IN MEMBER EQUITY

For the years ended December 31,

|                              | <u>2010</u>       | <u>2009</u>       |
|------------------------------|-------------------|-------------------|
| Balance at beginning of year | \$ 177,861        | \$ 116,086        |
| Net income (loss)            | (108,458)         | 61,775            |
| Member contributions         | 60,000            | -                 |
| Balance at end of year       | <u>\$ 129,403</u> | <u>\$ 177,861</u> |

See notes to financial statements

CAROLINA FINANCIAL SECURITIES, LLC

STATEMENTS OF CASH FLOWS

For the years ended December 31,

|                                                                                                    | 2010         | 2009      |
|----------------------------------------------------------------------------------------------------|--------------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES                                                               |              |           |
| Net income (loss)                                                                                  | \$ (108,458) | \$ 61,775 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |              |           |
| Depreciation expense                                                                               | 4,465        | 4,465     |
| (Increase) decrease in:                                                                            |              |           |
| Accounts receivable                                                                                | (3,505)      | (3,264)   |
| Due from related party                                                                             | 37,029       | (58,158)  |
| Increase (decrease) in:                                                                            |              |           |
| Accounts payable                                                                                   | 20,813       | 1,850     |
| Net cash provided by (used in) operating activities                                                | (49,656)     | 6,668     |
| CASH FLOWS FROM INVESTING ACTIVITIES                                                               |              |           |
| Purchases of fixed assets                                                                          | (1,227)      | -         |
| Net cash provided by (used in) investing activities                                                | (1,227)      | -         |
| CASH FLOWS FROM FINANCING ACTIVITIES                                                               |              |           |
| Member contributions to capital                                                                    | 60,000       | -         |
| Net cash provided by (used in) financing activities                                                | 60,000       | -         |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS                                               | 9,117        | 6,668     |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR                                                     | 26,498       | 19,830    |
| CASH AND CASH EQUIVALENTS AT END OF YEAR                                                           | \$ 35,615    | \$ 26,498 |

See notes to financial statements

CAROLINA FINANCIAL SECURITIES, LLC

COMPUTATION OF NET CAPITAL

December 31,

|                                                                          | 2010             | 2009             |
|--------------------------------------------------------------------------|------------------|------------------|
| COMPUTATION OF NET CAPITAL                                               |                  |                  |
| Total ownership equity from statement of financial condition             | \$ 129,403       | \$ 177,861       |
| Deduct ownership equity not allowable for net capital                    | -                | -                |
| Total ownership equity qualified for net capital                         | 129,403          | 177,861          |
| Liabilities subordinated to claims of general creditors                  | -                | -                |
| Total nonallowable assets (Central Registration Depository and Prepaids) | 119,035          | 155,805          |
| Net capital                                                              | <u>\$ 10,368</u> | <u>\$ 22,056</u> |

COMPUTATION OF NET CAPITAL REQUIREMENT

|                                                                                                                            |                 |                  |
|----------------------------------------------------------------------------------------------------------------------------|-----------------|------------------|
| (A) Minimum net capital requirement (6 2/3% of total aggregate indebtedness)                                               | \$ -            | \$ -             |
| (B) Minimum dollar net capital requirement of reporting broker dealer and minimum net capital requirements of subsidiaries | 5,000           | 5,000            |
| Net capital requirement (greater of A or B above)                                                                          | 5,000           | 5,000            |
| Excess net capital                                                                                                         | 5,368           | 17,056           |
| Excess net capital at 1000% (Net capital less 10% of total aggregate indebtedness)                                         | <u>\$ 7,843</u> | <u>\$ 21,613</u> |

COMPUTATION OF AGGREGATE INDEBTEDNESS

|                                                     |         |        |
|-----------------------------------------------------|---------|--------|
| Total aggregate indebtedness (Accounts payable)     | 25,247  | 4,434  |
| Percentage of aggregate indebtedness to net capital | 243.51% | 20.10% |

See notes to financial statements

# CAROLINA FINANCIAL SECURITIES, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2010

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

Carolina Financial Securities, LLC, a NC limited liability company, was formed in 1997. The Company was formed and operates principally as a registered broker-dealer. The Company provides studies and analyses of customers' operations, prepares materials for distribution to prospective buyers or sellers in search of mergers or acquisitions, contacts and coordinates discussions with prospective candidates and assists in the reaching of financial closure.

At December 31, 2010, Carolina Financial Securities, LLC was a member in good standing with the Security Investor Protection Corporation (SIPC).

#### Cash and Cash Equivalents

For purposes of the balance sheet and statement of cash flows, the Company considers all highly liquid investments, which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents.

#### Property, Improvements and Equipment

Property and equipment are recorded at cost. Costs associated with major acquisitions are capitalized and depreciated. Depreciation is provided over the estimated lives of the depreciable assets. Assets are generally depreciated on the straight-line method.

#### Revenue and Expense Recognition

Revenue is recognized upon agreement with the customer for services and upon billing for services. Expenses are recognized when incurred.

#### Management's 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 dates of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates.

#### Income Taxes

The Company is a limited liability company in which all elements of income and deductions are included in the tax return of the member of the Company. Therefore, no income tax provision is recorded by the Company.

#### Fair Value of Financial Instruments

The Company believes the carrying amount of cash, accounts receivable, and other current assets, accrued expenses and other current liabilities approximates fair value due to their short maturity.

CAROLINA FINANCIAL SECURITIES, LLC  
NOTES TO FINANCIAL STATEMENTS – CONTINUED

December 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Advertising Expenses

Costs associated with advertising are charged to expense as incurred. Advertising expenses approximated \$1,068 for 2009.

NOTE B – ACCOUNTS RECEIVABLE

The following is a summary of receivables at December 31,:

|                                       | 2010             | 2009            |
|---------------------------------------|------------------|-----------------|
| Trade receivables                     | \$ 10,769        | \$ 24,514       |
| Less: Allowance for doubtful accounts | -                | (17,250)        |
|                                       | <u>\$ 10,769</u> | <u>\$ 7,264</u> |

The allowance for doubtful accounts is comprised of all receivable balances outstanding in excess of 30 days. Bad debt recovered for the year ended December 31, 2009 was approximately \$3,750.

NOTE C – PROPERTY, IMPROVEMENTS AND EQUIPMENT

The following is a summary of equipment and improvements at cost, less accumulated depreciation:

|                                | 2010              | 2009              |
|--------------------------------|-------------------|-------------------|
| Computer equipment             | \$ 83,005         | \$ 81,776         |
| Office furniture               | 44,979            | 44,979            |
| Office equipment               | 4,081             | 4,081             |
| Building improvements          | 18,092            | 18,092            |
|                                | <u>\$ 150,157</u> | <u>\$ 148,928</u> |
| Less: Accumulated Depreciation | <u>(147,781)</u>  | <u>(143,315)</u>  |
|                                | <u>\$ 2,376</u>   | <u>\$ 5,613</u>   |

CAROLINA FINANCIAL SECURITIES, LLC  
NOTES TO FINANCIAL STATEMENTS – CONTINUED

December 31, 2010

NOTE D – RETIREMENT PLAN

Effective in 1998, the Company adopted a 401(k) Profit Sharing Plan. The Plan is funded by pre-tax employee voluntary contributions made through salary reduction, and the employer makes discretionary contributions for the benefit of the employee. There were no Company contributions in 2009.

NOTE E – RELATED PARTY TRANSACTIONS

The company advanced funds during prior years to the following related parties:

|                          |          |
|--------------------------|----------|
| Bruce V. Roberts, member | \$14,529 |
|--------------------------|----------|

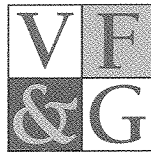
These advances have been classified as long-term assets with no specific terms of repayment.

During 2007, the Company entered into an expense sharing agreement with Carolina Financial Group, LLC, a related party, for their pro-rata portion of payroll related expenses, rent, utilities, administration, etc. Total fees charged for the year ended December 31, 2010 were coded to their respective expense accounts in the financial statements.

NOTE F – OPERATING LEASES

In September 2008, the Company signed a six month lease agreement for office space in Asheville, North Carolina. The Company has a formal agreement to rent on a month to month basis following the expiration of the lease. Lease payments are \$400 per month. Rent expense for the year ended December 31, 2010 and 2009 was \$12,554 and \$13,826, respectively.

## SUPPLEMENTAL INFORMATION



VANCE FLOUHOUSE & GARGES, PLLC  
Certified Public Accountants and Consultants

## Carolina Financial Securities, LLC

CRD #41970  
SEC 8-49653  
FYE 12/31/10

### SEC Rule Section 240.17a-5(j) – Accountant's Report on Material Inadequacies

Under SEC Rule 17a-5(j) and 17a-5(g), no material inadequacies were found to exist at Carolina Financial Securities, LLC as the result of our audit for the year ended December 31, 2010.

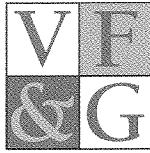
As stated in our Independent Auditor's Report, the financial statements of Carolina Financial Securities, LLC including the computation of aggregate indebtedness and net capital under 17a-3(a)(11) were presented in accordance with generally accepted accounting principles. SEC Rule 17a-5(g)(1)(i).

No securities were held by Carolina Financial Securities, LLC at December 31, 2010 and Carolina Financial Securities, LLC was in compliance with SEC Rule 17a-5(g)(1)(ii), (iii) and (iv)

This note shall serve as a supplemental report to the December 31, 2010 audit report of Carolina Financial Securities, LLC.

*Vance Flouhouse & Garges PLLC*

Charlotte, North Carolina  
February 21, 2011



VANCE FLOUHOUSE & GARGES, PLLC  
Certified Public Accountants and Consultants

## Carolina Financial Securities, LLC

CRD #41970  
SEC 8-49653  
FYE 12/31/10

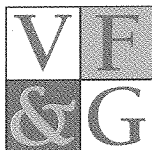
### Control Deficiencies

Carolina Financial Securities, LLC has a noted control deficiency related to management override of controls.

This exists due to the nature of the software program. Controls have been put in place regarding log in ID's and locking of prior periods to overcome this issue and is not expected to cause any material financial statement misstatements.

*Vance Flouhouse & Garges PLLC*

Charlotte, North Carolina  
February 21, 2011



VANCE FLOUHOUSE & GARGES, PLLC  
Certified Public Accountants and Consultants

## Carolina Financial Securities, LLC

CRD #41970  
SEC 8-49653  
FYE 12/31/10

### SEC Rule 17a-5(e)(4) – Schedule of Assessments and Payments to the Securities Investor Protection Corporation (SIPC)

To the Members  
Carolina Financial Securities, LLC  
Brevard, North Carolina

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 Schedule of Assessment and Payments [Transitional Assessment Reconciliation (Form SIPC-7)T] to the Securities Investor Protection Corporation (SIPC) for the Year Ended December 31, 2010, which were agreed to by Carolina Financial Securities, LLC and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating Carolina Financial Securities, LLC's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7).

Carolina Financial Securities, LLC's management is responsible for Carolina Financial Securities, LLC'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-7T with respective cash disbursement records entries noting no differences;

2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2010, as applicable, with the amounts reported in Form SIPC-7T for the year ended December 31, 2010 noting no differences;
3. Compared any adjustments reported in Form SIPC-7T with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7T 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-7T on which it was originally computed noting no differences.

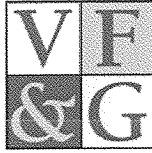
We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported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

This note shall serve as a supplemental report to the 12/31/10 audit report of Carolina Financial Securities, LLC.

*Vaner Fubhouse & Hargis PLLC*

Charlotte, North Carolina  
February 21, 2011



VANCE FLOUHOUSE & GARGES, PLLC  
Certified Public Accountants and Consultants

## Carolina Financial Securities, LLC

CRD #41970

SEC 8-49653

FYE 12/31/10

### SEC Rule Section 17a-5(d)(4) – Reconciliation Statement

Carolina Financial Securities, LLC is a \$5,000 net capital member broker/dealer under SEC Rule 15c3-1(a)(2)(vi).

No material differences exist between Carolina Financial Securities, LLC's audited Net Capital computation under SEC Rule 15c3-1 and its Focus IIA quarterly filing under 18a-5(a).

*Vance Flouhouse & Garges PLLC*

Charlotte, North Carolina  
February 21, 2011

**FINANCIAL STATEMENTS**  
**CAROLINA FINANCIAL SECURITIES, LLC**  
**DECEMBER 31, 2010**

CAROLINA FINANCIAL SECURITIES, LLC

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