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

**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, 2011 AND ENDING DECEMBER 31, 2011

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

**OFFICIAL USE ONLY**

FARINA & ASSOCIATES INC.

FIRM ID. NO.

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

c/o ACCOUNTING and COMPLIANCE INTERNATIONAL, 40 Wall St. - Suite 1704,

NEW YORK,

NEW YORK

10005

(City)

(State)

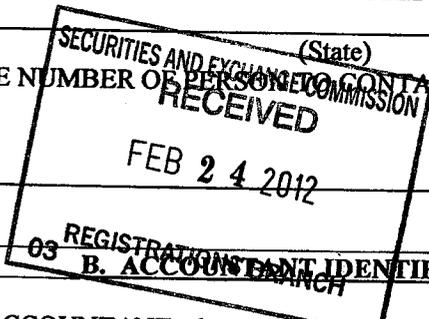
(Zip Code)

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

ALAN KRIM

(212) 668 - 8700

(Area Code - Telephone No.)



**B. ACCOUNTANT IDENTIFICATION**

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

**LERNER & SIPKIN, CPAs, LLP**

132 Nassau Street, Suite 1023

New York

NY

10038

Certified Public Accountant

**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).

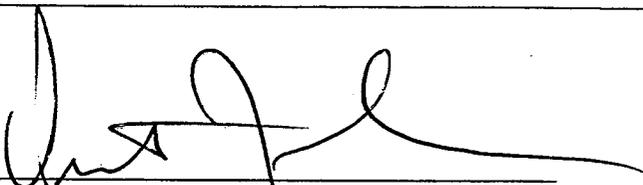
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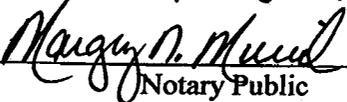
OATH OR AFFIRMATION

I, *VINCENT FARINA*, swear (or affirm) that, to the best of my knowledge and belief, the accompanying financial statement and supporting schedules pertaining to the firm of *FARINA & ASSOCIATES INC., as of DECEMBER 31, 2011*, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, member, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE

X   
Signature  
*CEO/President*  
Title

MARGERY NELL MURRIEL  
Notary Public, State of New York  
No. 01MU6247130  
Qualified in Kings County  
Commission Expires August 22, 2015

X   
Notary Public

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

- (x) (a) Facing page.
- (x) (b) Statement of Financial Condition.
- (x) (c) Statement of Operations.
- (x) (d) Statement of Cash Flows.
- (x) (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (x) (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (x) (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.
- (x) (l) An Oath or Affirmation.
- (x) (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.
- (x) (o) Independent Auditors' Report on Internal Accounting Control.

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

**FARINA & ASSOCIATES INC**  
**STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2011**

SEC  
Mail Processing  
Section  
FEB 7 4 2012  
Washington, DC  
123

**FARINA & ASSOCIATES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2011**

**ASSETS**

Cash and cash equivalents	\$ 47,036
Due from clearing broker	193,029
Commissions receivable	99,934
Office equipment, net of accumulated depreciation of \$92,323(Note 2 (d))	21,299
Other assets	<u>38,192</u>
Total assets	<u>\$ 399,490</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Liabilities:**

Accounts payable and accrued expenses	\$ 104,466
Due to customers	19,618
Line of credit payable (Note 3)	<u>11,366</u>
Total liabilities	<u>135,450</u>

**Commitments and Contingencies (Notes 3 and 4)**

**Stockholders' equity (Note 5)**

Common stock, no par value, 200 shares authorized, 10 shares issued and outstanding.	30,000
Additional paid-in capital	195,000
Retained earnings	<u>39,040</u>
Total stockholders' equity	<u>264,040</u>
Total liabilities and stockholders' equity	<u>\$ 399,490</u>

*The accompanying notes are an integral part of this statement.*

**FARINA & ASSOCIATES INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**Note 1 - Nature of Business**

Farina & Associates Inc (The "Company") is a New York State corporation formed in 1989, for the purpose of conducting business as a broker on the floor of the New York Stock Exchange. The Company is registered as a broker-dealer with the Securities and Exchange Commission ("SEC"). Operations include the execution of transactions for non-member organizations by means of a direct phone access system.

The Company operates under the provisions of Paragraph (k) (2) (ii) of Rule 15c3-3 of the Securities and Exchange Commission and, accordingly, is exempt from the remaining provisions of that rule. Essentially, the requirements of Paragraph (k) (2) (ii) provide that the Company clears all transactions on behalf of customers on a fully disclosed basis with a clearing broker/dealer, and promptly transmits all customer funds and securities to the clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker/dealer.

**Note 2 - Summary of Significant Accounting Policies**

**a) Revenue Recognition**

Securities transactions (and the recognition of related income and expenses) are recorded on a trade date basis. Commission income and related expense are recorded on a settlement date basis. There is no material difference between settlement date and trade date.

**b) Income Taxes**

The Company has elected to be treated as an "S" Corporation under the provisions of the Internal Revenue Code and New York State tax regulations. Under the provisions, the Company does not pay federal or state corporate income taxes on its taxable income. Instead, the stockholder is liable for individual income taxes on his respective share of the Company's taxable income. The Company continues to pay New York City general corporation taxes.

**c) Cash and Cash Equivalents**

The Company considers demand deposited money market funds to be cash equivalents. The Company maintains cash in bank accounts which, at times, may exceed federally insured limits or where no insurance is provided. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

**d) Equipment**

Equipment is carried at cost and is depreciated over a useful life of 5-7 years using accelerated methods.

**FARINA & ASSOCIATES INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**Note 2 - Summary of Significant Accounting Policies (continued)**

*e) Use of Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses.

*f) Subsequent Events*

The Company has evaluated events and transactions that occurred between December 31, 2011 and February 4, 2012, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

**Note 3 - Profit Sharing Plan**

The Company is a sponsor of a defined contribution profit sharing plan for its eligible employees. Contributions to the plan, if any, are determined by the employer and come out of its current accumulated profits. The employer's contribution for any fiscal year shall not exceed the maximum allowable as a deduction to the employer under the provisions of the IRS Code Section 404, as amended, or replaced from time to time. The Company's liability to the plan for the year ended December 31, 2011, was \$-0-.

**Note 4 - Commitment**

*Office Lease*

The Company leased premises under a lease expiring March 31, 2014. The Company's minimum rental commitment, at December 31, 2011, is as follows:

2012	\$76,416
2013	\$78,571
2014	\$19,778

*Line of Credit*

The Company has established a revolving line of credit totaling \$150,000. Interest is calculated at the bank's prime plus 1.25% and at December 31, 2011 was 4.5%. As of December 31, 2011, \$11,366 has been drawn upon by the Company. The line of credit is collateralized by the assets of the Company.

**Note 5 - Financial Instruments with Off-Balance Sheet Credit Risk**

As a securities broker, the Company is engaged in buying and selling securities for a diverse group of institutional and individual investors. The Company introduces these transactions for clearance to another broker-dealer on a fully disclosed basis.

The Company's exposure to credit risk associated with non-performance of customers in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets, which may impair customers' ability to satisfy their obligations to the Company and the

**FARINA & ASSOCIATES INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**Note 5 - Net Capital Requirement**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital 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 1500%. At December 31, 2011 the Company had net capital of \$177,802, which was \$168,772 in excess of its required net capital of \$9,030. The Company's capital ratio was 76.18%.

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A copy of the Firm's statement of financial condition as of December 31, 2011, pursuant to SEC Rule 17a-5, is available for examination at the Firm's office and at the regional office of the SEC.



**LERNER & SIPKIN**  
CERTIFIED PUBLIC ACCOUNTANTS LLP

132 Nassau Street, New York, NY 10038 Tel 212.571.0064 / Fax 212.571.0074

Jay Lerner, C.P.A.  
jlerner@lernerpsipkin.com

Joseph G. Sipkin, C.P.A.  
jsipkin@lernerpsipkin.com

**INDEPENDENT AUDITORS' REPORT**

To the Officers and Directors of  
Farina & Associates Inc  
c/o Accounting and Compliance International  
40 Wall Street, 17th Floor  
New York, NY 10005

We have audited the accompanying statement of financial condition of **Farina & Associates Inc**, as of December 31, 2011. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this 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 required 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 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 **Farina & Associates Inc**, as of December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

*Lerner & Sipkin CPAs LLP*  
Lerner & Sipkin, CPAs, LLP  
Certified Public Accountants (NY)

New York, NY  
February 4, 2012