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OMB APPROVAL
OMB Number: 3235-0123
Expires: April 30, 2013
Estimated average burden
hours per response... 12.00

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

SEC FILE NUMBER
8- 52773

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 01/01/2011 AND ENDING 12/31/2011
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Affinity Investment Services, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

73 Mountain View Boulevard

Basking Ridge (No. and Street) NJ 07920
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Ellen Alboum, Financial and Operations Principal (908) 860-3821
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Crowe Horwath, LLP

354 Eisenhower Parkway, Livingston (Name - if individual, state last, first, middle name) NJ 07039
(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)

JD
3/2/12

OATH OR AFFIRMATION

I, Renee Vanek, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Affinity Investment Services, LLC, as of December 31, 2011, 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]
Notary Public

[Signature]
Signature
President
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 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).



Crowe Horwath®

AFFINITY INVESTMENT SERVICES, LLC

STATEMENT OF FINANCIAL CONDITION

December 31, 2011

AFFINITY INVESTMENT SERVICES, LLC
STATEMENT OF FINANCIAL CONDITION
December 31, 2011

AFFINITY INVESTMENT SERVICES, LLC
Basking Ridge, New Jersey

STATEMENT OF FINANCIAL CONDITION
December 31, 2011

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REPORT OF INDEPENDENT AUDITORS

Board of Managers
Affinity Investment Services, LLC
Basking Ridge, New Jersey

We have audited the accompanying statement of financial condition of Affinity Investment Services, LLC, a wholly owned subsidiary of Affinity Financial Services, LLC, as of December 31, 2011, and the related statements of operations, member's equity, and cash flows 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. 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 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 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 Affinity Investment Services, LLC as of December 31, 2011, and 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.



Crowe Horwath LLP

Livingston, New Jersey
February 21, 2012

AFFINITY INVESTMENT SERVICES, LLC
STATEMENT OF FINANCIAL CONDITION
December 31, 2011

ASSETS

Cash and cash equivalents	\$ 940,361
Receivables	20,661
Deposit with clearing agent	25,000
Equipment, net	10,226
Prepaid expenses	<u>44,138</u>
	<u>\$ 1,040,386</u>

LIABILITIES AND MEMBER'S EQUITY

Accounts payable and accrued expenses	\$ 322,135
Member's equity	<u>718,251</u>
	<u>\$ 1,040,386</u>

See accompanying notes to statement of financial condition.

AFFINITY INVESTMENT SERVICES, LLC
NOTES TO STATEMENT OF FINANCIAL CONDITION
December 31, 2011

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: Affinity Investment Services, LLC (the “Company”) is a securities broker-dealer, registered with the Securities and Exchange Commission pursuant to Section 15 of the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority (FINRA). The Company is a wholly owned subsidiary of Affinity Financial Services, LLC (the “Parent”) which is a wholly owned subsidiary of Affinity Federal Credit Union (the “Credit Union”). The Company was established primarily to provide brokerage services for members of Affinity Federal Credit Union.

The Company received approval for membership to operate as a registered broker-dealer on February 7, 2001.

The Company operates under the provisions of Paragraph (k)(2)(ii) of Rule 15c3-3 of the Securities Exchange Act of 1934 and, accordingly, is exempt from the remaining provisions of that rule. Essentially, the requirements of Paragraph (k)(2)(ii) provide that the Company clear all transactions on behalf of customers on a fully disclosed basis with a clearing broker-dealer and promptly transmit 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.

A summary of the Company’s significant accounting policies follows:

Significant Accounting Policies: The Company follows the accounting standards set by the Financial Accounting Standards Board (FASB). The FASB establishes accounting principles generally accepted in the United States of America (GAAP) that are followed to ensure consistent reporting of the financial condition, results of operations, and cash flows of the Company. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification™ commonly referred to as the Codification or ASC. The FASB finalized the Codification effective for periods ended on or after September 15, 2009. As such, the Company has adopted the Codification in these financial statements; the Codification does not change how the Company accounts for its transactions nor does it change the nature of the associated disclosures. Prior FASB standards like FASB Statement No. 5, *Accounting for Contingencies*, are no longer being issued by the FASB. Because the FASB encourages the use of plain English to describe broad topical references, these financial statements will generally no longer include references to specific technical guidance. For example, citations of the accounting requirements for contingencies would include a reference similar to “as required by the Contingencies Topic of the Codification.”

Cash and Cash Equivalents: Cash and cash equivalents include deposits with high-credit quality financial institutions, including the Credit Union and other highly liquid investments that are readily convertible into cash. Amounts due from these financial institutions may, at times, exceed federally insured limits.

Revenue Recognition: The Company receives commission income in accordance with the terms of an agreement with their clearing broker-dealer. Commission income and related expenses are recognized on a settlement date basis. The effect on net income of recognition of commissions on a trade versus settlement date basis is not material.

Depreciation: Depreciation of equipment is provided for by the straight-line method over the estimated useful lives of the related assets which range from one to five years.

(Continued)

AFFINITY INVESTMENT SERVICES, LLC
NOTES TO STATEMENT OF FINANCIAL CONDITION
December 31, 2011

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: The Company elected to be taxed as a Limited Liability Corporation (LLC), which provides that the LLC passes on all income and expenses to its member to be taxed at the member level. The Credit Union is a federally-chartered credit union, and it and its subsidiaries, including the Company, are not subject to federal or state income taxes. The Company is not subject to examination by federal or state income tax authorities for years before 2006.

FASB provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. For the year ended December 31, 2010, management has determined that there are no uncertain tax positions.

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through February 21, 2012, which is the date the financial statements were available to be issued.

Accounting Estimates: The preparation 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.

The aforementioned financial statements have been prepared from the separate records maintained by the Company. The financial condition and the results of operations as presented in these financial statements may not necessarily be indicative of the condition that would have existed or the results of operations that would have been achieved had the subsidiary been operated as an unaffiliated company. Portions of certain expenses incurred by the Parent and Credit Union have been allocated to the Company.

NOTE 2 – INSURANCE SETTLEMENT

The Company received \$250,000 in 2011 as a settlement for a claim of negligence related to the handling of a legal matter on behalf of the Company.

NOTE 3 – DEPOSIT WITH CLEARING BROKER-DEALER

The Company has an agreement with a clearing broker-dealer to clear customers' securities transactions on a fully disclosed basis. The agreement provides for clearing charges at a fixed rate multiplied by the number of tickets traded by the Company. The agreement requires the Company to maintain a minimum of \$25,000 as a deposit in an account with the clearing broker-dealer.

(Continued)

AFFINITY INVESTMENT SERVICES, LLC
NOTES TO STATEMENT OF FINANCIAL CONDITION
December 31, 2011

NOTE 4 – EQUIPMENT, NET

Equipment consists of the following:

Furniture and equipment	\$ 98,907
Less accumulated depreciation	<u>(88,681)</u>
	<u>\$ 10,226</u>

NOTE 5 – EMPLOYEE BENEFIT PLANS

The Company has a 401(k) qualified plan which is provided by the Credit Union. The plan allows for pretax employee deferrals, an employer match of those deferrals, and a discretionary employer defined contribution allocation. Participation is limited to certain employees who meet specific length of service and age limitations.

The total expense related to the employer defined contribution allocation for the year ended December 31, 2011, was \$66,199. The Company's policy is to fund the accrued contribution in the year following the accrual.

The Company contributed \$48,261 to the plan for the year ended December 31, 2011, related to the employer match of employee deferrals. The employer match is accrued and funded on a current basis.

NOTE 6 – RELATED PARTY TRANSACTIONS

Pursuant to agreements between the parties, the Company is charged by the Credit Union for certain expense allocations, including the cost of office space and management support. Total expenses, which are included in the operations category, were \$273,744 for the year ended December 31, 2011.

At December 31, 2011, the Company had cash balances with the Credit Union of \$108,775.

At December 31, 2011, the Company had amounts payable to the Credit Union of \$147,624.

At December 31, 2011, the Company had receivable from two subsidiaries of the Credit Union totaling \$4,500.

NOTE 7 – OFF-BALANCE SHEET RISK AND CONCENTRATION CREDIT RISK

As discussed in Note 1, the Company's customers' securities transactions are introduced on a fully disclosed basis with its clearing broker-dealer. The clearing broker-dealer carries all of the accounts of the customers of the Company and is responsible for execution, collection of and payment of funds, and receipt and delivery of securities relative to customer transactions. Off-balance sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker-dealer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the creditworthiness of its customers and that customer transactions are executed properly by the clearing broker-dealer.

(Continued)

AFFINITY INVESTMENT SERVICES, LLC
NOTES TO STATEMENT OF FINANCIAL CONDITION
December 31, 2011

NOTE 8 – NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting ratio of aggregate indebtedness to net capital would exceed 10 to 1. At December 31, 2011, the Company had net capital and net capital requirements of \$643,226 and \$50,000 respectively. The Company's ratio of aggregate indebtedness to net capital was 0.50 to 1.