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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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**ANNUAL AUDITED REPORT** SEC  
**FORM X-17A-5** Mail Processing Section  
**PART III**

SEC FILE NUMBER
8-53346

FEB 29 2012

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 01/01/11 AND ENDING 12/31/11  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: EKN FINANCIAL SERVICES INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

201 OLD COUNTRY ROAD - SUITE 101  
(No. and Street)  
MELVILLE NY 11747  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
THOMAS GIUGLIANO 516-396-1234  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

LIEBMAN GOLDBERG & HYMOWITZ, LLP

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

595 STEWART AVENUE - SUITE 420 GARDEN CITY NY 11530  
(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)

Chp  
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OATH OR AFFIRMATION

I, THOMAS GIUGLIANO, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of EKN FINANCIAL SERVICES INC., 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:

[Handwritten Signature]
Signature
[Handwritten Title: DIRECTOR]
Title

[Handwritten Signature]
Notary Public

ARIYA MAYER WAXMAN
NOTARY PUBLIC, STATE OF NEW YORK
Registration No. 02WA6230720
Qualified in Nassau County
Commission Expires November 8, 2014

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).

**EKN FINANCIAL SERVICES INC.**

**FINANCIAL STATEMENTS  
AND SCHEDULES**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

**with**

**INDEPENDENT AUDITORS' REPORT AND  
REPORT ON INTERNAL CONTROL**

# EKN FINANCIAL SERVICES INC.

For the year ended December 31, 2011

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**LIEBMAN GOLDBERG & HYMOWITZ LLP**

*Certified Public Accountants*

595 Stewart Avenue, Suite 420  
Garden City, New York 11530

Tel (516) 228-6600

Fax (516) 228-6664

Independent Auditors' Report

Board of Directors  
EKN Financial Services Inc.

We have audited the accompanying statement of financial condition of EKN Financial Services Inc. as of December 31, 2011, and the related statements of income, changes in stockholders' 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 EKN Financial Services Inc. as of December 31, 2011 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on pages 12-15 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by rule 17a-5 of the Securities and 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Liebman Goldberg & Hymowitz, LLP  
Garden City, New York

February 27, 2012

**EKN FINANCIAL SERVICES INC.**

**STATEMENT OF FINANCIAL CONDITION**

**December 31, 2011**

**ASSETS**

	<u>Allowable</u>	<u>Non-Allowable</u>	<u>Total</u>
Cash and cash equivalents	\$ 80,445	\$ -	\$ 80,445
Receivables from broker or dealers - Clearance accounts	150,736	-	150,736
Securities not readily marketable	-	10,743	10,743
Notes receivable		1,050,000	1,050,000
Advances	-	34,936	34,936
Prepaid expenses	-	69,500	69,500
Furniture & fixtures (Net)	-	106,111	106,111
Cash value - life insurance	275,901	-	275,901
	<u>\$ 507,082</u>	<u>\$ 1,271,290</u>	<u>\$ 1,778,372</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	<u>Aggregate Indebtedness Liabilities</u>	<u>Nonaggregate Indebtedness Liabilities</u>	<u>Total</u>
<b>Liabilities:</b>			
Bank loan payable	\$ 100,000	\$ -	\$ 100,000
Accounts payable, taxes and accrued expenses payable	179,267	-	179,267
Accrued commissions	192,622	-	192,622
Subordinated liabilities	-	316,000	316,000
	<u>\$ 471,889</u>	<u>\$ 316,000</u>	<u>787,889</u>

**Commitments and Contingencies**

**Stockholders' Equity:**

Common stock - \$.01 par value; authorized 1,000 shares issued and outstanding 100 shares	1
Additional paid-in capital	3,423,357
Deficit	<u>(2,432,875)</u>
Total stockholders' equity	<u>990,483</u>
Total liabilities and stockholders' equity	<u><u>\$ 1,778,372</u></u>

The accompanying notes are an integral part of these statements.

EKN FINANCIAL SERVICES INC.

STATEMENT OF INCOME

For the year ended December 31, 2011

**Revenues:**

Commission income	\$ 7,903,805	
Trading and investment gains (losses)	(1,161)	
Consulting income	124,131	
Other income	1,030,680	
Interest income	<u>154,830</u>	
Total revenues		\$ 9,212,285

**Expenses:**

Commissions	5,632,991	
Salaries and related payroll taxes	904,749	
Arbitrations	8,876	
Professional fees	519,758	
Employee reimbursements	868	
Travel and entertainment	474,820	
Telephone	79,961	
Dues, regulatory and registration expenses	252,217	
Other administrative expenses	20,179	
Clearance and execution costs	435,308	
Maintenance and repairs	55,455	
Consulting	8,800	
Promotion	9,908	
Office expense	107,490	
Insurance	113,433	
Interest and bank charges	165,350	
Equipment rental	35,063	
Depreciation	17,672	
Auto expense	77,003	
Rent	259,870	
Utilities	<u>5,929</u>	
Total expenses		<u>9,185,700</u>

Income before provision for income taxes	26,585
Income tax expense	<u>7,175</u>
Net Income	<u>\$ 19,410</u>

The accompanying notes are an integral part of these statements.

**EKN FINANCIAL SERVICES INC.**

**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

**For the year ended December 31, 2011**

	<u>Number of Shares</u>	<u>Common Stock</u>	<u>Additional paid-in Capital</u>	<u>(Deficit)</u>	<u>Total</u>
Balance					
January 1, 2011	1,000	\$ 1	\$ 3,423,357	\$ (2,452,285)	\$ 971,073
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,410</u>	<u>19,410</u>
Balance					
December 31, 2011	<u>1,000</u>	<u>\$ 1</u>	<u>\$ 3,423,357</u>	<u>\$ (2,432,875)</u>	<u>\$ 990,483</u>

The accompanying notes are an integral part of these statements.

EKN FINANCIAL SERVICES INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2011

**Cash Flows from Operating Activities:**

Net Income	<u>\$ 19,410</u>
Adjustments to reconcile net income to net cash (used in) operating activities:	
Depreciation	17,672
(Increase) Decrease in Operating Assets:	
Receivables from brokers and dealers	309,347
Securities owned at market value	65
Securities not readily marketable	(6,235)
Prepaid expenses	15,699
Advances	46,693
Cash value - life insurance	(2,773)
Escrow Acct	630
Increase (Decrease) in Operating Liabilities:	
Accounts payable and accruals	(374,410)
Accrued commissions	<u>(63,765)</u>
Total adjustments	<u>(57,077)</u>
Net cash (used in) operating activities	<u>(37,667)</u>

**Cash Flows from Investing Activities:**

Additions to fixed assets	<u>(57,709)</u>
Net cash (used in) investing activities	<u>(57,709)</u>

Net decrease in cash and cash equivalents (95,376)

Cash and cash equivalents - beginning of year 175,821

Cash and cash equivalents - end of year \$ 80,445

**Supplemental Disclosures:**

Interest paid	<u>\$ 159,129</u>
Taxes paid	<u><u>\$ 7,175</u></u>

The accompanying notes are an integral part of these statements.

# EKN FINANCIAL SERVICES INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

### **Note 1 - Organization and Company Information:**

EKN Financial Services Inc. (EKN) (The Company) had been organized on August 1, 2001. The Company is a broker-dealer, registered with the Securities and Exchange Commission and is a member of the National Association of Securities Dealers, Inc. The Company does not hold funds or securities for, or owes any money or securities to customers and does not maintain accounts of, or for, customers. The agreement with the clearing broker requires the Company to assume the credit risk associated with customer transactions.

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

#### **Nature of Business:**

The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services, including principal transactions, agency transactions, investment banking, investment advisory, and venture capital businesses.

#### **Cash and Cash Equivalents:**

The Company considers all highly liquid investments purchased with an original or remaining maturity of three months at the date of purchase, to be cash equivalents.

#### **Securities Transactions:**

Securities transactions (and related commission revenues and expenses) are recorded on a trade date basis.

#### **Market Value of Securities:**

Securities owned are stated at quoted market values with the resulting unrealized gains and losses reflected in the statement of operations. Securities not readily marketable are valued at fair value as determined by management.

#### **Property and Equipment:**

Property and equipment are reflected at cost. For financial reporting purposes, depreciation is computed using the straight-line method over the useful life of the asset while for income tax reporting, depreciation is computed using the Modified Accelerated Cost System (MACRS) over the statutorily prescribed recovery periods.

Maintenance and repairs, which neither materially add to nor appreciably prolong the life of the property, are charged to expense as they are incurred. Gains or losses on dispositions of property and equipment, as applicable, are included in income or expense.

**EKN FINANCIAL SERVICES INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

**Note 2 - Summary of Significant Accounting Policies (Continued):**

**Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, 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.

**Fair Value of Financial Instruments:**

The Company has adopted the required provisions of Topic 820, "Fair Value Measurements". Those provisions relate to our financial assets and liabilities carried at fair value and our fair value disclosures related to financial assets and liabilities. Topic 820 defines fair value, expands related disclosure requirements and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three levels of inputs to fair value measurements - Level 1, meaning the use of quoted prices for identical instruments in active markets; Level 2, meaning the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; and Level 3, meaning the use of unobservable inputs. Observable market data should be used when available. At December 31, 2011, the Company's fair value hierarchy consisted of level 1 inputs of cash and cash equivalents in the amount of \$80,445 and Level 1 inputs of securities at a value of \$10,743.

**Concentration of Credit Risk:**

Financial instruments, which potentially expose the Company to concentrations of credit risk, consist primarily of cash and cash equivalents. The Company maintains some of its cash balances in accounts, which exceed federally insured limits. It has not experienced any losses to date resulting from this policy.

**Recent Accounting Pronouncements:**

A variety of proposed or otherwise potential accounting standards are currently under study by standard-setting organizations. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would be material to the financial statements of the Company.

EKN FINANCIAL SERVICES INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**Note 3 - Receivable from and Deposit with Clearing Organization:**

The Company clears certain of its proprietary and customer transactions through another broker-dealer on a fully disclosed basis. The receivables from broker dealers and clearing organizations represent primarily cash held by the clearing organizations for commissions generated in December 2011 and received in January 2012. The deposit with the clearing organizations is required by the clearing agreement.

As stated in Note 2, the Company records securities transactions on a trade date basis. Furthermore, the Company has agreed to indemnify its clearing organization for losses that the clearing organization may sustain from the customer accounts introduced by the Company.

Should a customer not fulfill his obligation on a trade date transaction through December 31, 2011, the Company may be required to buy or sell securities at prevailing market prices in the future on behalf of their customers. Subsequent to the balance sheet date, all unsettled trades at December 31, 2011 had been settled with no resulting liability to the Company.

The Company is engaged in various trading and brokerage activities whose counter parties include broker-dealers, banks, and other financial institutions. In the event counter parties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counter party or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counter party with which it conducts business.

Amounts receivable from and payable to broker-dealers and clearing organizations at December 31, 2011 consist of the following:

	<u>Receivable</u>	<u>Payable</u>
Receivable from clearing organizations	\$ <u>150,736</u>	\$ <u>0</u>
	\$ <u>150,736</u>	\$ <u>0</u>

**Note 4 - Property and Equipment:**

Property and equipment consists of the following:

		<u>Years</u>
Furniture and equipment	\$ 169,775	5 - 7
Leasehold improvements	<u>26,666</u>	10
Total	196,441	
Less: accumulated depreciation and amortization	<u>90,330</u>	
	\$ <u>106,111</u>	

Depreciation expense for the year ended December 31, 2011 amounted to \$17,672.

EKN FINANCIAL SERVICES INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**Note 5 – Bank Loan Payable:**

The Company had a bank loan payable outstanding in the amount of \$100,000 which matures on January 1, 2012. The note bears interest at 5%. On January 1, 2012, the note renewed.

**Note 6- Subordinated Liabilities:**

The Company has a subordinated loan agreement for equity capital in the amount of \$316,000. The proceeds covered by the agreement are to be used and dealt with by the Company as part of its capital and subject to the risks of the business.

**Note 7 - Income Taxes:**

The current and deferred portions of income tax expense included in the statement of income as determined in accordance with ASC 740. The tax effects are of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities were:

Deferred tax asset	
Net operating loss carryforward	\$ 1,292,269
Less: valuation allowance	(1,292,269)
Net deferred tax asset	\$ <u>      -</u>
Deferred tax liability	\$ <u>      -</u>

The deferred income tax balances were comprised of the following

	<u>For the year ended December 31, 2011</u>
Income tax expense:	
Current tax:	
Federal	\$ -
State	<u>7,175</u>
	<u>7,175</u>
Deferred:	
Federal	\$ 452,294
State	<u>77,536</u>
Total	\$ 529,830
Less: valuation allowance	<u>(529,830)</u>
Net deferred tax asset	\$ <u>      -</u>

# EKN FINANCIAL SERVICES INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

### **Note 7 - Income Taxes (Continued):**

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

Because of the historical earnings history of the Company, the net deferred tax assets have been fully offset by a 100% valuation allowance.

### **Note 8 - Securities not Readily Marketable:**

Securities not readily marketable include investment securities (a) for which there is no market on a securities exchange or no independent publicly quoted market, (b) that cannot be publicly offered or sold unless registration has been effected under the Securities Act of 1933, or (c) that cannot be offered or sold because of other arrangements, restrictions, or conditions applicable to the securities or to the Company.

### **Note 9 - Net Capital Requirement:**

The Company is subject to the net capital provisions of Rule 15c3-1 of the Securities and Exchange Act of 1934, which requires the maintenance of minimum net capital, as defined. The Company has elected to use the basic method permitted by the rules, which require the Company to maintain minimum net capital equal to 6 2/3% of aggregate indebtedness (as defined). As of December 31, 2011, the Company's regulatory net capital was \$35,112 which exceeded the minimum required by \$3,651.

### **Note 10 - Commitments and Contingencies:**

The Company has been named in several arbitrations pending before the FINRA Dispute Resolution Office. The Company has responded denying any liability in all cases and has requested hearings. These hearing are scheduled through May 2012. Counsel for the Company has advised that the outcome of these hearings cannot be predicted. In addition, the Company is involved in various litigation that are pending.

On February 18, 2011 the Company was notified by the FINRA examination staff for violations of NASD rules. The alleged violations were in connection with form filings, correspondence, institutional sales, materials, advertisements, supervisory controls and other related matters. In addition the company was cited on February 18, 2011 for a net capital deficiency as of November 17, 2010.

In the matter of Global Enterprise Group Holdings vs. EKN Financial Services, Inc., a broker-dealer that is subject of a lawsuit that could have a material impact on its net capital must obtain an opinion of outside counsel regarding the potential effect of such a suit on the Company's financial condition. The Company has obtained opinion of outside counsel and it is the opinion of outside counsel that there is no liability on the part of the client.

**EKN FINANCIAL SERVICES INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

**Note 10 – Commitments and Contingencies (continued):**

The Company has been named in a case for unpaid rent to CLK-HP. The matter is currently pending. The attorney will file a motion for summary judgment once depositions are completed.

The Company entered into a lease agreement on or about July 2, 2010 for office space in Melville, New York. The lease commenced on August 1, 2010 and is for a ten year period with an option to renew the lease for an additional five-year term.

Future minimum annual rental payments, exclusive of escalation payments are as follows:

Year ending December 31, 2012	\$ 232,316
2013	239,263
2014	246,481
2015	253,879
2016	261,458
2017 and thereafter	<u>1,028,659</u>
	<u>\$2,262,056</u>

Rental expense for the year ended December 31, 2011 was \$259,870.

## **Supplemental Information**

**EKN FINANCIAL SERVICES INC.**

**COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS**

**For the year ended December 31, 2011**

**Net Capital**

Total ownership equity from statement of financial condition	\$ 990,483
Add	
liabilities subordinated to claims of general creditors allowable in computation of net capital	<u>316,000</u>
Total	<u>1,306,483</u>
Deductions and/or charges	
total non-allowable assets from statement of financial condition	<u>1,271,290</u>
Net capital before adjustments for haircuts on securities positions and undue concentration	<u>35,193</u>
<b>Adjustments</b>	
Haircut on securities	-
Other securities	<u>(81)</u>
Total adjustments	<u>(81)</u>
Net capital	<u><u>\$ 35,112</u></u>
Minimum net capital	<u><u>\$ 31,461</u></u>
Excess net capital	<u><u>\$ 3,651</u></u>
Aggregate indebtedness	<u><u>\$ 471,889</u></u>
Percentage of aggregate indebtedness to net capital (\$471,889 ÷ \$35,112)	<u><u>1343.95%</u></u>

See accountant's report.

**EKN FINANCIAL SERVICES INC.**  
**COMPUTATION OF DETERMINATION OF RESERVE**  
**REQUIREMENTS PURSUANT TO RULE 15C3-3**  
**DECEMBER 31, 2011**

The Company has claimed exemption from Rule 15c3-3 based on the fact that all customer transactions are cleared through another broker dealer on a fully disclosed basis. In the opinion of the management of EKN Financial Services Inc., the conditions of the Company's exemption from rule 15c3-3 were complied with throughout the year ended December 31, 2011.

See accountant's report.

**EKN FINANCIAL SERVICES INC.**

**RECONCILIATION OF THE COMPUTATION OF NET CAPITAL**

**UNDER RULE 15C3-1 BETWEEN THE UNAUDITED**

**FOCUS REPORT AND THE AUDITED FOCUS REPORT**

**For the year ended December 31, 2011**

Net capital per audited focus report		\$ 35,112
Net capital per unaudited focus report		<u>214,311</u>
Difference to be reconciled		<u>\$ (179,199)</u>
Increase in cash	327	
Increase Officers' Life Insurance	840	
Additional year end accruals	<u>(180,366)</u>	
		<u>\$ (179,199)</u>

See accountant's report.

**EKN FINANCIAL SERVICES INC.**  
**STATEMENT OF CHANGES IN LIABILITIES**  
**SUBORDINATED TO CLAIMS OF CREDITORS**  
**For the year ended December 31, 2011**

Subordinated loans - January 1, 2011	<u>\$ 316,000</u>
Total subordinated loans - December 31, 2011	<u><u>\$ 316,000</u></u>

**EKN FINANCIAL SERVICES INC.**  
**INDEPENDENT AUDITORS' REPORT**  
**ON**  
**INTERNAL ACCOUNTING CONTROL**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**LIEBMAN GOLDBERG & HYMOWITZ LLP**

*Certified Public Accountants*

595 Stewart Avenue, Suite 420  
Garden City, New York 11530

Tel (516) 228-6600

Fax (516) 228-6664

Board of Directors  
EKN Financial Services Inc.

In planning and performing our audit of the financial statements and supplemental schedules of EKN Financial Services Inc. (the Company) as of and for the year ended December 31, 2011 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our audit 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.

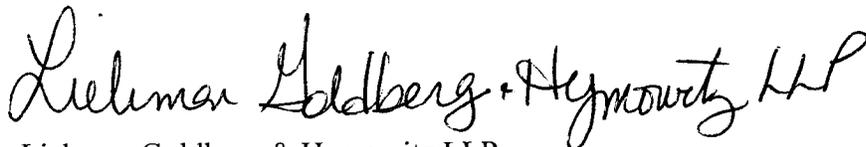
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented or detected and corrected on a timely basis.

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, as described in the second paragraph of this report were adequate at December 31, 2011, to meet the SEC's objectives.

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

A handwritten signature in black ink that reads "Lieberman Goldberg & Hymowitz LLP". The signature is written in a cursive, flowing style.

Lieberman Goldberg & Hymowitz LLP  
Garden City, New York

February 27, 2012

**EKN FINANCIAL SERVICES INC.**  
**INDEPENDENT AUDITORS' REPORT**  
**ON**  
**SCHEDULE OF ASSESSMENT AND PAYMENTS TO THE SECURITIES**  
**INVESTOR PROTECTION CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**LIEBMAN GOLDBERG & HYMOWITZ LLP**

*Certified Public Accountants*

595 Stewart Avenue, Suite 420  
Garden City, New York 11530

Tel (516) 228-6600

Fax (516) 228-6664

To the Board of Directors of EKN Financial Services Inc.  
201 Old Country Road - Suite 101  
Melville, NY 11747

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 [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2011, which were agreed to by EKN Financial Services Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., SIPC, solely to assist you and the other specified parties in evaluating EKN Financial Services Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). EKN Financial Services Inc.'s management is responsible for the EKN Financial Services Inc.'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 and cancelled checks noting no differences.
2. Compared the amounts reported on the audited FormX-17A-5 for the year ended December 31, 2011, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2011
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.
5. Payment schedule attached.

This report is intended solely for the information and use of Management Financial Industry Regulatory Authority, Inc. SIPC and the Securities and Exchange Commission and is not intended to be and should not be used by anyone other than these specified parties.

  
February 27, 2012

## **PAYMENT SCHEDULE**

<b><u>DATE</u></b>	<b><u>PAID TO</u></b>	<b><u>AMOUNT</u></b>	<b><u>MAILED TO:</u></b>
2/17/11	SIPC	\$12,654.00	P.O. Box 92185 Washington, DC 20090-2185
11/14/11	SIPC	\$14,880.00	P.O. Box 92185 Washington, DC 20090-2185