

AB  
3/10



12013184

UNI  
SECURITIES AND  
Washin

SEC  
Mail Processing  
Section

MAR 05 2012

Washington, DC  
125

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

SEC FILE NUMBER  
8- 48786

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

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: AUFHAUSER SECURITES INC

OFFICIAL USE ONLY

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

FIRM I.D. NO.

112 WEST 56TH STREET

(No. and Street)

NEW YORK

NEW YORK

10019

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
KEITH AUFHAUSER 212-757-6824

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

MICHAEL DAMSKY CPA, P.C.

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

40-3 BURT DRIVE

DEER PARK

NEW YORK

11729

(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)

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.

AB  
3/15

OATH OR AFFIRMATION

I, R. KEITH AUFHAUSER, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of AUFHAUSER SECURITIES INC, as of DECEMBER 31, 20 11, 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:

\_\_\_\_\_  
\_\_\_\_\_

Lena A Dimino  
Notary Public, State of New York  
No. 01D16030099  
Qualified in Queens County  
Commission Expires Sept 7 20 12

RIK Aufhauser  
Signature  
President  
Title

Lena A. Dimino Swears before me this 28th day of February 2012  
Notary Public

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).

**AUFHAUSER SECURITIES INC.**

**FINANCIAL STATEMENT and SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2011**

## TABLE OF CONTENTS

	Page
Accountants' Report	1
Financial Statements:	
Balance Sheet	2
Statement of Income and Retained Earnings	3
Statement of Cash Flows	4
Statement of Changes in Stockholders' Equity	5
Notes to Financial Statements	6-7
Supplementary Information:	
Expenses	8
Computation of Net Capital	9
Computation of Basic Net Capital Requirement	10
Reconciliation of audited computation of Net Capital and corresponding Focus Part IIA	11

**MICHAEL DAMSKY CPA, P.C.**  
**40-3 BURT DRIVE**  
**DEER PARK, NEW YORK 11729**  
Tel 631-595-2073  
Fax 631-586-9398

MEMBER:

PUBLIC COMPANY ACCOUNTING  
OVERSIGHT BOARD

NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

Aufhauser Securities Inc.  
New York, New York

Gentlemen:

We have audited the statement of financial condition of Aufhauser Securities Inc. as of December 31, 2011, and the related statements of income and retained earnings, changes in stockholders' 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 audit.

We conducted our audit in accordance with generally accepted auditing standards 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 consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 Aufhauser Securities Inc. as of December 31, 2011 and the results of its operations, changes in stockholders' equity and the changes in cash flows for the year then ended, in conformity with generally accepted accounting principles, the rules of the Securities and Exchange Commission, and the rules of the Public Company Accounting Oversight Board.

Also, we have examined the supplementary schedules on page 8 to 10 and, in our opinion they present fairly in all material aspects the information included therein in conformity with the rules of the Securities and Exchange Commission.

Very truly yours,

*Michael Damsky, CPA*

MICHAEL DAMSKY, C.P.A.  
Certified Public Accountant  
Deer Park, New York  
February 14, 2012

AUFHAUSER SECURITIES INC.BALANCE SHEETDECEMBER 31, 2011ASSETSCurrent Assets:

Cash and Cash Equivalents	\$ 1,476,337
Due from Broker	417,116
Securities	-
	<u>\$1,893,453</u>

LIABILITIES and STOCKHOLDERS' EQUITYCurrent Liabilities:

Due to Broker	\$ 8,555
Taxes Payable	5,482
Accrued Expenses	<u>438,306</u>
Total Liabilities	<u>452,343</u>

Stockholders' Equity:

Common Stock - no par value:	
200 shares authorized, 70	
shares issued and outstanding	30,000
Paid-In Capital	480,000
Retained Earnings	<u>931,110</u>
	<u>1,441,110</u>
	<u>\$1,893,453</u>

"See Accompanying Notes and Accountants' Report"

AUFHAUSER SECURITIES INC.STATEMENT OF INCOME and RETAINED EARNINGSYEAR ENDED DECEMBER 31, 2011Revenue:

Commissions	\$2,455,027
Interest Income	26,040
Gain on Sale of Securities	(25,548)
Other Income	28,656
	<u>2,484,175</u>

Expenses2,461,976Income before Income Taxes22,199Income Taxes:

Federal Income Tax	498
New York State & City	18,128
	<u>18,626</u>

Net Income

3,573

## Retained Earnings -

Beginning of the year

927,537

## Retained Earnings -

End of the year

\$ 931,110

"See Accompanying Notes and Accountants' Report"

**AUFHAUSER SECURITIES INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2011**

Cash Flows from Operating Activities:

Net Income	\$ 3,573
Adjustments to reconcile net income to net cash provided by operating activities:	
(Increase) Decrease in Securities	7
(Increase) Decrease in Due From Broker	( 33,549)
Increase (Decrease) in Due to Broker	( 9,439)
(Decrease) Increase in Taxes Payable	( 5,305)
Increase (Decrease) in Accrued Expenses	<u>(208,748)</u>
Net cash used for operating activities	<u>(253,461)</u>
Net (decrease) in cash	(253,461)
Cash at beginning of year	<u>1,729,798</u>
Cash at end of year	<u>\$1,476,337</u>

"See Accompanying Notes and Accountants' Report"

AUFHAUSER SECURITIES INC.STATEMENT OF CHANGES IN STOCKHOLDERS EQUITYYEAR ENDED DECEMBER 31, 2011

	<u>Common Stock</u>	<u>Paid In Capital</u>	<u>Retained Earnings</u>
Balance at January 1, 2011	\$ 30,000	\$480,000	\$927,537
Net Income	<u>-</u>	<u>-</u>	<u>3,573</u>
Balance at December 31, 2011	\$ <u>30,000</u>	\$ <u>480,000</u>	\$ <u>931,110</u>

"See Accompanying Notes and Accountants' Report"

**AUFHAUSER SECURITIES INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**NOTE 1 – Nature of Business and Significant Accounting Policies:**

Aufhauser Securities, Inc., (the "Company") is a brokerage firm engaged primarily in retail activities. The Company is registered as a broker-dealer with and is a member of the Financial Industry Regulatory Authority ("FINRA"). 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 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.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Securities transactions and the related commission revenue and expenses are recorded on the trade date. The Company is exposed to risk of loss on these transactions in the event a client or broker fails to meet the terms of their contracts, in which case the Company may have to purchase or sell the positions at prevailing market prices.

The Company has actively traded in stocks and options for its own accounts.

The Company is a market maker.

Income taxes are provided for in the period in which the related transactions enter into the determination of net income.

Securities are carried at market value.

**AUFHAUSER SECURITIES INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**Note 2 – Net Capital Requirements:**

The Company is subject to the Securities and Exchange Commission and National Futures Association's Uniform Net Capital Rule. Under these rules, the minimum net capital requirement is \$250,000. At December 31, 2011 the Company's Net Capital was \$1,163,583 in excess of the required Net Capital.

**Note 3 – Contingent Liabilities:**

Under an agreement with its clearing broker dated July 7, 2005 the Company is contingently liable for:

- A customer's failure to make payment to the clearing broker when due or to deliver securities sold for the account of the broker or the broker's customer.
- Failures of a customer of the company to meet any margin call or any maintenance call.
- The purchase of customers until actual and complete payment has been received by the clearing broker.

**Note 4 - Financial Instruments with Off-Balance Sheet Credit Risk**

As a securities broker, the Company can be engaged in buying and selling securities for a diverse group of investors. The Company would introduce 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 the customers' ability to satisfy their obligations to the Company and the Company's ability to liquidate the collateral at an amount equal to the original contracted amount. The agreement between the Company and its clearing broker provides that the Company is obligated to assume any exposure related to such non-performance by its customers.

The Company is obligated to settle transactions with brokers and/or other financial institutions even if its customers fail to meet their obligations to the Company. Customers are required to complete their transactions on settlement date, generally three business days after trade date. If customers do not fulfill their contractual obligations, the Company may incur losses.

**Note 5- Related Party Transactions:**

The company rents office space from the owner's spouse, and pays payroll and related benefits through an affiliated company.

**SUPPLEMENTARY INFORMATION**

**AUFHAUSER SECURITIES INC.****EXPENSES****YEAR ENDED DECEMBER 31, 2011**

Salaries	\$1,260,102
Execution	560,138
Clearing Charges	334,953
Other Pershing Charges	50,786
Regulatory Fees	59,704
Market Data	92,429
Interest	825
Operations	<u>103,039</u>
	<u>\$2,461,976</u>

"See Accompanying Notes and Accountants' Report"

**AUFHAUSER SECURITIES INC.**  
**COMPUTATION OF NET CAPITAL**  
**YEAR ENDED DECEMBER 31, 2011**

1.	Total Ownership Equity	\$1,441,110
2.	Less: Non Allowable Assets	-
		<u>1,441,110</u>
3.	Add: Subordinated Liabilities	-
		<u>1,441,110</u>
4.	Less: Haircuts on Securities	<u>27,527</u>
5.	Tentative Net Capital	1,413,583
7.	Net Capital	<u><u>\$1,413,583</u></u>

"See Accompanying Notes and Accountants' Report"

**AUFHAUSER SECURITIES INC.****YEAR ENDED DECEMBER 31, 2011****COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

1.	Minimum Net Capital required - (6 2/3% Aggregate Indebtedness)	\$ 30,157
2.	Minimum Dollar Net Capital Requirement computed in accordance with SEC rules	<u>250,000</u>
3.	Net Capital Requirement	<u>250,000</u>
4.	Net Capital	<u>1,413,583</u>
5.	Excess Net Capital	<u>\$1,163,583</u>

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

6.	Total Liabilities	\$ 452,343
	Non Aggregate Indebtedness Liabilities	<u>-</u>
		<u>\$ 452,343</u>

"See Accompanying Notes and Accountants' Report"

**AUFHAUSER SECURITIES INC.**  
**RECONCILIATION OF NET CAPITAL**  
**YEAR ENDED DECEMBER 31, 2011**

Audited Net Capital	\$ <u>1,413,583</u>
Net Capital per Focus Part IIA	\$ <u>1,413,583</u>
Difference	\$ <u>          0</u>

"See Accompanying Notes and Accountants' Report"

**MICHAEL DAMSKY CPA, P.C.**  
**40-3 BURT DRIVE**  
**DEER PARK, NEW YORK 11729**  
Tel 631-595-2073  
Fax 631-586-9398

MEMBER:

PUBLIC COMPANY ACCOUNTING  
OVERSIGHT BOARD

NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

February 15, 2012

Aufhauser Securities Inc.  
New York, New York

Gentlemen:

We have examined the Financial Report of Aufhauser Securities Inc. as required by the Financial Industry Regulatory Authority as of December 31, 2011 and have issued a report thereon dated February 15, 2012. As part of our examination we reviewed and tested the system of internal accounting control and the procedures for safeguarding customer and firm assets for the year ended December 31, 2011 to the extent we considered necessary to evaluate the system as required by generally accepted accounting standards and by Rule 17a-5g3 of the Securities and Exchange Commission.

Regulation 1.16 contemplates that the scope of the review and test should be sufficient to provide reasonable assurance that any material inadequacies existing at the date of our examination in the accounting system, the internal accounting controls, and the procedures for safeguarding customer and firm assets would be disclosed. Under these standards and that regulation, the purposes of such evaluation are to establish a basis for reliance thereon in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to provide a basis for reporting material inadequacies in internal accounting control.

Further, our examination included reviews of the practices and procedures followed by the company in making periodic computations of the minimum financial requirements, pursuant to Rule 17a-5(g)(1) of the Securities and Exchange Commission.

The objective of internal accounting control is to provide reasonable but not absolute assurance as to safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily require estimates and judgments by management. However, for the purposes of this report, the cost-benefit relationship has been disregarded in determining material inadequacies to be reported.

Aufhauser Securities Inc.  
February 15, 2012  
Page 2

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, error can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal accounting control for the year ended December 31, 2010 which was made for the purposes set forth in the first paragraph above and would not necessarily disclose all weaknesses in the system which may have existed during the period under review, disclosed no material inadequacies.

Very truly yours,

*Michael Damsky, CPA*

**MICHAEL DAMSKY CPA, P.C.**  
Certified Public Accountant  
Deer Park, New York  
February 15, 2012

**MICHAEL DAMSKY CPA, P.C.  
40-3 BURT DRIVE  
DEER PARK, NEW YORK 11729**

Tel 631-595-2073  
Fax 631-586-9398

MEMBER:

PUBLIC COMPANY ACCOUNTING  
OVERSIGHT BOARD

NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders of Aufhauser Securities, Inc.  
New York, New York

We have examined the financial statements of Aufhauser Securities, Inc. as required by the Financial Industry Regulatory Authority and the Securities and Exchange Commission as of December 31, 2011 and have issued a report thereon dated February 15, 2012. In accordance with rule 17a-5(e)(4) of the Securities and Exchange Commission, we have performed the following procedures with respect to the accompanying schedule (Form SIPC-7) of Securities Investor Protection Corporation assessments and payments of Aufhauser Securities, Inc. for the year ended December 31, 2011. Our procedures were performed solely to assist you in complying with rule 17a-5(e)(4), and our report is not to be used for any other purpose. The procedures we performed were as follows:

1. Compared listed assessment payments with respective cash disbursement records entries;
2. Compared amounts reported on the audited form X-17A-5 for the period January 1, 2011, to December 31, 2011, with the amounts reported in the General Assessment Reconciliation (Form SIPC-7);
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting adjustments; and
5. Compared the amount of any overpayment applied with the Form SIPC-7 on which it was computed.

Because the above procedures do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on the schedule referred to above. In connection with the procedures referred to above, nothing came to our attention that caused us to believe that the amounts shown on Form SIPC-7 were not determined in accordance with applicable instructions and forms. This report relates only to the schedule referred to above and does not extend to any financial statements of Aufhauser Securities, Inc. taken as a whole.

Very truly yours,

*Michael Damsky, CPA*

**MICHAEL DAMSKY CPA, P.C.**  
Deer Park, New York  
February 15, 2012