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

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

SEC FILE NUMBER  
8- 44065

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: **AMERICAN FINANCIAL ASSOCIATES, INC.**

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

**1700 NORTHAMPTON STREET, P.O. BOX 1659**

(No. and Street)

**EASTON**

**PA**

**18044**

(City)

(State)

(Zip Code)

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

**HENRY R. D'ALBERTO**

**(610) 559-1600**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

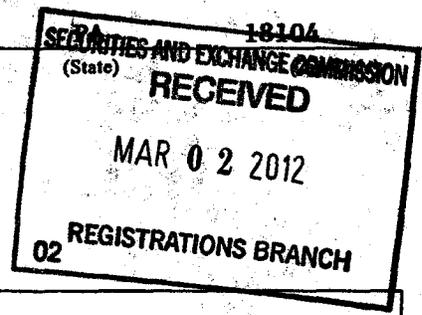
**KIRK, SUMMA & CO., LLP**

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

**1405 N. CEDAR CREST BLVD., SUITE 102, ALLENTOWN,**

(Address)

(City)



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)

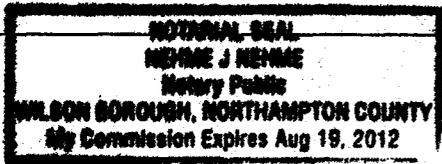
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*Handwritten signature/initials*

OATH OR AFFIRMATION

I, HENRY R. D'ALBERTO, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of AMERICAN FINANCIAL ASSOCIATES, 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]*  
\_\_\_\_\_  
Notary Public

*[Handwritten 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).

**AMERICAN FINANCIAL ASSOCIATES, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011 AND 2010**

**KIRK, SUMMA & Co., LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

**AMERICAN FINANCIAL ASSOCIATES, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011 AND 2010**

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KEVIN D. SUMMA, C.P.A.

## OTHER OFFICES

BRODHEADSVILLE, PA  
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EAST STROUDSBURG, PA  
570-421-0753

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
American Financial Associates, Inc.

We have audited the accompanying statements of financial condition of American Financial Associates, Inc. as of December 31, 2011 and 2010, and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the years 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 statements 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 American Financial Associates, Inc. at December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Kirk, Summa & Co., LLP*

January 31, 2012  
Allentown, PA

**AMERICAN FINANCIAL ASSOCIATES, INC.  
STATEMENTS OF FINANCIAL CONDITION  
DECEMBER 31, 2011 AND 2010**

	2011	2010
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 26,984	\$ 51,387
Commissions receivable	38,710	37,185
Prepaid corporate income tax	2,047	2,083
Total Current Assets	67,741	90,655
Fixed Assets		
Office Equipment	53,359	53,359
Furniture & Fixtures	1,781	1,781
Less: Accumulated depreciation	(55,086)	(54,974)
Total Fixed Assets	54	166
<b>TOTAL ASSETS</b>	<b>\$ 67,795</b>	<b>\$ 90,821</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
Current Liabilities		
Accounts payable	\$ 880	\$ 649
Payroll liabilities	208	-
Commissions payable	30,968	28,565
Accrued income tax	150	650
Total Current Liabilities	32,206	29,864
Stockholder's Equity		
Common stock \$10 par value, 10,000 shares authorized, 8,165 shares issued and outstanding	81,650	81,650
Retained (deficit)	(38,021)	(12,653)
	43,629	68,997
Less: 804 shares of common stock in treasury at cost	(8,040)	(8,040)
Total Stockholder's Equity	35,589	60,957
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>\$ 67,795</b>	<b>\$ 90,821</b>

The accompanying notes are an integral part of these financial statements.

**AMERICAN FINANCIAL ASSOCIATES, INC.**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Revenues		
Commissions	\$ 930,438	\$ 777,744
Interest income	38	285
Other revenues	10,160	10,127
Total Revenues	<u>940,636</u>	<u>788,156</u>
 Selling Expenses	 711,076	 587,108
 General and Administrative Expenses	 <u>254,029</u>	 <u>196,394</u>
Total Selling, General and Administrative Expenses	<u>965,105</u>	<u>783,502</u>
 Net Income (Loss) Before Provision for Income Taxes	 (24,469)	 4,654
 Provision for Income Taxes	 <u>900</u>	 <u>1,189</u>
 Net Income (Loss) After Taxes	 <u>\$ (25,369)</u>	 <u>\$ 3,465</u>

The accompanying notes are an integral part of these financial statements.

**AMERICAN FINANCIAL ASSOCIATES, INC.**  
**STATEMENTS OF CHANGES IN LIABILITIES SUBORDINATED BORROWINGS**  
**DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Beginning Liability - January 1	\$ -	\$ -
Additions:	<u>-</u>	<u>-</u>
Subtractions:	<u>-</u>	<u>-</u>
Ending Balance - December 31	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**AMERICAN FINANCIAL ASSOCIATES, INC.  
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2010</u>					
	<u>Common Stock</u>		<u>Retained (Deficit)</u>	<u>Treasury Stock Common</u>		<u>Total Stockholder's Equity</u>
	<u>Shares</u>	<u>Amount</u>		<u>Shares</u>	<u>Amount</u>	
Balances at January 1, 2010	8,165	\$ 81,650	\$ (16,119)	-	\$ -	\$ 65,531
Net Income	-	-	3,466	-	-	3,466
Net purchase of common shares for treasury	-	-	-	804	(8,040)	(8,040)
Balances at December 31, 2010	<u>8,165</u>	<u>\$ 81,650</u>	<u>\$ (12,653)</u>	<u>804</u>	<u>\$ (8,040)</u>	<u>\$ 60,957</u>

	<u>2011</u>					
	<u>Common Stock</u>		<u>Retained (Deficit)</u>	<u>Treasury Stock Common</u>		<u>Total Stockholder's Equity</u>
	<u>Shares</u>	<u>Amount</u>		<u>Shares</u>	<u>Amount</u>	
Balances at January 1, 2011	8,165	\$ 81,650	\$ (12,653)	804	\$ (8,040)	\$ 60,957
Net Income(Loss)	-	-	(25,369)	-	-	(25,369)
Balances at December 31, 2011	<u>8,165</u>	<u>\$ 81,650</u>	<u>\$ (38,022)</u>	<u>804</u>	<u>\$ (8,040)</u>	<u>\$ 35,588</u>

The accompanying notes are an integral part of these financial statements.

**AMERICAN FINANCIAL ASSOCIATES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Net income (loss)	\$ (25,368)	\$ 3,466
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Items in net income not affecting cash:		
Depreciation	112	112
(Increase) decrease in current assets:		
Commissions receivable	(1,525)	21,282
Certificate of deposit	-	25,794
Prepaid corporate income tax	36	(2,083)
Federal income tax receivable	-	6,225
Increase (decrease) in current liabilities:		
Accounts payable	230	177
Payroll liabilities	208	-
Commissions payable	2,403	(15,124)
Accrued income tax	(500)	(2,698)
Total Adjustments	<u>964</u>	<u>33,685</u>
Net Cash Provided (Used) by Operating Activities	<u>(24,404)</u>	<u>37,151</u>
Cash Flows from Financing Activities:		
Purchase of common stock for treasury	-	(8,040)
Net Cash (Used) for Financing Activities	<u>-</u>	<u>(8,040)</u>
Net Increase (Decrease) in Cash	(24,404)	29,111
Cash at Beginning of Year	<u>51,387</u>	<u>22,276</u>
Cash at End of Year	<u>\$ 26,983</u>	<u>\$ 51,387</u>
Supplementary Disclosures:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ 1,400</u>	<u>\$ 5,431</u>

The accompanying notes are an integral part of these financial statements.

**AMERICAN FINANCIAL ASSOCIATES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

Business and Organization

American Financial Associates, Inc. (the Company) was organized on July 25, 1991 for the purpose of selling mutual funds and life insurance. In 1994 the Company also began acting as a discount broker. The Company has brokers in the states of Pennsylvania, New Jersey and Oregon. Approximately sixty percent of the Company's business is conducted in Pennsylvania, and the major source of revenue comes from selling mutual funds.

Cash Equivalents

Cash equivalents are highly liquid debt instruments purchased with maturities of three months or less.

Bad Debts

The Company uses the direct write-off method of accounting for losses arising from uncollectible accounts receivable. Under this method, accounts receivable are written-off to bad debt expense in the period they are deemed uncollectible. There were no bad debt expenses for the years ended December 31, 2011 or 2010.

Use of Estimates

The presentation 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.

Depreciation

Equipment and furniture are stated at cost and are depreciated under the straight line basis over estimated useful lives of five to seven years. Depreciation was \$112 and \$112 respectively for 2011 and 2010.

Maintenance and Repairs

Property and equipment are carried at cost less accumulated depreciation. Depreciation is deducted on a straight-line basis and is provided over the useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income.

**AMERICAN FINANCIAL ASSOCIATES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES-continued**

Rent Expense

The Company has a month-to-month rental with no signed lease. Rent is \$900 per month for the last two years and is expensed when paid. Rent expense was \$9,900 for 2011 and \$11,700 for 2010.

Commissions Receivable

Commissions' receivable consists of fees earned primarily on the selling of mutual funds. The Company receives payment within a short time of the transactions. No allowance for doubtful accounts has been provided for as the continuing relationships over many years have assured collection.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements.

The Company's Forms 1120, *U.S. Corporation Tax Return*, for the years ending 2010, 2009, and 2008 are subject to examination by the IRS, generally for three years after they were filed.

**NOTE B - ADVERTISING COST**

Advertising costs of \$1,711 and \$1,674 were incurred for the years ended December 31, 2011 and 2010, respectively. All advertising costs are expensed as incurred.

**NOTE C – INCOME TAXES**

Income tax expense includes federal and state income taxes due currently after using up prior net operating losses. The provision for income tax amounts to \$150 in 2011 and \$650 for 2010. The components of the provision for income taxes for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Current - Federal	\$ -	\$ -
Current - State	150	650
	\$ 150	\$ 650

The corporate tax returns have not been prepared for the year ended December 31, 2011. There is a liability of \$ - which leaves \$ 2,047 of prepaid federal income tax at December 31, 2011.

**AMERICAN FINANCIAL ASSOCIATES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE D – TREASURY STOCK**

In August 2010, the Board of Directors authorized the Company to repurchase of 840 shares of common stock. During October 2010, the Company repurchased 840 shares at an aggregate cost of \$8,040.

**NOTE E – EXEMPTIVE PROVISIONS**

An exemption is claimed from SEC Rule 15c-3-3 under c(k) (2) (ii) – All customer transactions cleared through another broker-dealer on a fully disclosed basis.

The following is the clearing firm:

SEC # - 801-13059

Name – Dain Rauscher

**NOTE F – SUBSEQUENT EVENTS**

In preparing these financial statements, management of American Financial Associates, Inc. has evaluated events and transactions subsequent to December 31, 2011 through January 31, 2012 the date these financial statements were available to be issued. Based on the definitions and requirements of the Subsequent Event Topics of FASB Accounting Standards Codification, management of American Financial Associates, Inc. is not aware of any subsequent events that would require disclosure in the financial statements.

# KIRK, SUMMA & CO., LLP

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**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION  
REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION**

Board of Directors.  
American Financial Associates, Inc.

We have audited the accompanying financial statements of American Financial Associates, Inc. as of and for the year ended December 31, 2011 and 2010, and have issued our report thereon dated January 31, 2012. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 is presented for purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by Rule 17a-5 under the Securities 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.

*Kirk, Summa & Co., LLP*

January 31, 2012  
Allentown, PA

**SCHEDULE 1**  
**AMERICAN FINANCIAL ASSOCIATES, INC.**  
**COMPUTATION OF AGGREGATE INDEBTEDNESS AND NET CAPITAL**  
**IN ACCORDANCE WITH RULE 15c3-1**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Aggregate indebtedness:		
Total liabilities from balance sheet	\$ 32,206	\$ 29,864
Net capital:		
Stockholder's equity from balance sheets	35,588	60,957
Deduct:		
Non allowable asset, property and equipment	(54)	(166)
Non allowable receivable	(6,622)	(10,251)
<b>NET CAPITAL</b>	<u>\$ 28,912</u>	<u>\$ 50,540</u>
Computation of basic net capital requirement:		
Minimum net capital required (6-2/3% of aggregate indebtedness of \$31,895 and \$30,022 respectively)	\$ 2,148	\$ 1,992
Minimum dollar net capital requirement	<u>5,000</u>	<u>5,000</u>
Excess net capital	<u>23,912</u>	<u>45,540</u>
Excess net capital at 1,000%	<u>\$ 25,691</u>	<u>\$ 47,554</u>
Ratio:		
Aggregate indebtedness to net capital	<u>1.114:1</u>	<u>0.591:1</u>

The accompanying notes are an integral part of these financial statements.

**AMERICAN FINANCIAL ASSOCIATES, INC.  
 STATEMENTS OF NET CAPITAL RECONCILIATION  
 AUDITED REPORT VS. UNAUDITED FOCUS REPORT  
 DECEMBER 31, 2011 AND 2010**

	Per Focus Report Form X-17A-5		Adjustments		Schedule II Per Audited Financial Report	
	2011	2010	2011	2010	2011	2010
	A) Gross Capital	\$ 35,588	\$ 60,957	\$ -	\$ -	\$ 35,588
B) Add:						
Liabilities subordinated to claims of general creditors allowable in computation of net capital	-	-	-	-	-	-
C) Deduct:						
Total nonallowable assets from Statement of Financial Condition	(6,676)	(10,417)	-	-	(6,676)	(10,417)
<b>Net capital</b>	<b><u>\$ 28,912</u></b>	<b><u>\$ 50,540</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 28,912</u></b>	<b><u>\$ 50,540</u></b>

	2011	2010
A) Reconciliation of Adjustments:		
Adjustments to Gross Capital:	\$ -	\$ -
Total Adjustments	<u>\$ -</u>	<u>\$ -</u>

**AMERICAN FINANCIAL ASSOCIATES, INC.  
STATEMENTS OF SELLING, GENERAL  
AND ADMINISTRATIVE EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
<b>Selling Expenses</b>		
Advertising	\$ 1,711	\$ 2,035
Auto lease and expense	2,695	3,347
Commissions	693,361	566,914
Entertainment	1,313	520
Meetings	473	2,254
Regulatory fees	7,630	9,983
Training programs	549	-
Travel	3,344	2,055
<b>Total Selling Expenses</b>	711,076	587,108
<b>General and Administrative Expenses</b>		
Bank and other charges	1,038	1,534
Computer expenses	4,082	3,211
Contributions	100	375
Depreciation	112	112
Dues and subscriptions	264	676
Employee benefits	6,583	6,698
Insurance	4,832	2,748
Licenses permits and fees	8,154	5,577
Miscellaneous	-	75
Office supplies	5,197	5,177
Payroll taxes	12,245	10,497
Postage	1,892	3,012
Professional fees	8,964	7,915
Rent	9,900	11,700
Repairs and maintenance	1,493	1,394
Salaries	181,660	128,855
Telephone	5,801	4,970
Utilities	1,712	1,868
<b>Total General and Administrative Expenses</b>	254,029	196,394
<b>Total Selling, General and Administrative Expenses</b>	\$ 965,105	\$ 783,502

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1) FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

Board of Directors  
American Financial Associates, Inc.

In planning and performing our audit of the financial statements of American Financial Associates, Inc. (the Company), as of and for the years ended December 31, 2011 and 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting as a basis for designing our auditing 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 compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e).

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 *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a 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 and 2010, to meet the SEC's objectives.

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

*Kirk, Summa & Co., LLP*

January 31, 2012  
Allentown, PA

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