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

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

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	February 28, 2010
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8-66484

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 1/1/11 AND ENDING 12/31/11
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Sykes Financial Services, LLC

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

213 N. Market Street Suite 201

(No. and Street)

Washington

NC

27889

(City)

(State)

(Zip Code)

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

William R. Sykes

570-839-7776

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Edward Richardson Jr., CPA

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

15565 Northland Dr. Suite 508 West Southfield, MI. 48075

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.



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*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)

OATH OR AFFIRMATION

I, William R. Sykes, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Sykes Financial Services, LLC, 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:

N/A

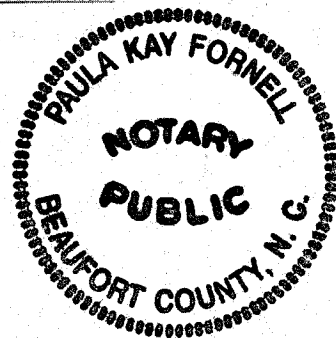
William R. Sykes
Signature

President

Title

Paula Kay Fornell
Notary Public

My commission expires
11/23/2013



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).

Sykes Financial Services, LLC

**Financial Statements and Supplemental
Schedules Required by the
Securities and Exchange Commission**

**For the Year Ended December 31, 2011
(With Independent Auditor's Report Thereon)
and
Supplemental Report on Internal Control**

December 31, 2011

SYKES FINANCIAL SERVICES, LLC
December 31, 2011

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Edward Richardson Jr., CPA
15565 Northland Dr W Ste 508
Southfield, MI 48075
248-559-4514

Independent Auditor's Report

February 22, 2012

Board of Directors
Sykes Financial Services, LLC
213 N. Market Street Suite 201
Washington, NC 27889-4949

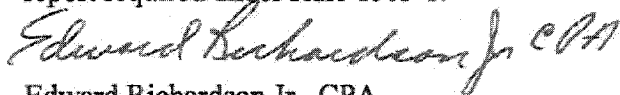
I have audited the accompanying balance sheet of Sykes Financial Services, LLC, as of December 31, 2011, and the related statements of income, retained earnings, changes in members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Sykes Financial Services, LLC as of December 31, 2011, and the results of its operations, retained earnings, changes in stockholders equity, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplemental schedules of computation of net capital, computation of basic net capital requirement, computation of aggregate indebtedness, exemptive provisions under rule 15c3-3, statement of changes in liabilities subordinated to the claims of general creditors, and the reconciliation of the computation of net capital under rule 15c3-1, are presented for additional analysis and are not a required part of the basic financial statements, but are 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 my opinion, is fairly stated in all material respects to the basic financial statements taken as a whole.

Further, there were no material differences in the net amount reported as Net Capital in the audited Computation of Net Capital and the broker-dealer's corresponding Unaudited Part IIA of the Focus report required under Rule 15c3-1.


Edward Richardson Jr., CPA

Sykes Financial Services, LLC
BALANCE SHEET
As of December 31, 2011

ASSETS

CURRENT ASSETS

Cash In Bank	\$	23,981.65
Accounts Receivable		914.45
Prepaid Expenses		<u>2,548.01</u>

Total Current Assets		<u>27,444.11</u>
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PROPERTY AND EQUIPMENT

Equipment		562.99
Less: Accumulated Depreciation		<u>(562.99)</u>

TOTAL ASSETS	\$	<u>27,444.11</u>
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The footnotes are an integral part of the financial statements.

Sykes Financial Services, LLC
BALANCE SHEET
As of December 31, 2011

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES

Accounts Payable	<u>\$ 811.06</u>
------------------	------------------

Total Current Liabilities	<u>811.06</u>
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LONG-TERM LIABILITIES

Total Liabilities	<u>811.06</u>
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MEMBERS' EQUITY

Members' Equity	<u>26,633.05</u>
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Total Members' Equity	<u>26,633.05</u>
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TOTAL LIABILITIES AND MEMBERS' EQUITY	<u><u>\$ 27,444.11</u></u>
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The footnotes are an integral part of the financial statements.

Sykes Financial Services, LLC
STATEMENT OF INCOME

12 Months Ended
December 31, 2011

Revenues

Commissions Earned	\$	140,732.25
Other Income		<u>725.00</u>
Total Revenues		<u>141,457.25</u>

Operating Expenses

Employee compensation and ben	129,290.47
Communications and data proces	1,344.68
Occpancy	196.48
Other expenses	10,547.37
Total Operating Expenses	<u>141,379.00</u>

Operating Income (Loss)	<u>78.25</u>
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Net Income (Loss)	<u>\$ 78.25</u>
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The footnotes are an integral part of the financial statements.

Sykes Financial Services, LLC
STATEMENT OF MEMBERS' EQUITY

	12 Months Ended December 31, 2011
Beginning of Period	\$ 26,555.00
Plus: Net Income	\$ 78.25
Less: Dividends Paid	<u>0.00</u>
 MEMBERS' EQUITY	
END OF PERIOD	 <u>\$ 26,633.25</u>

The footnotes are an integral part of the financial statements.

Sykes Financial Services, LLC
STATEMENT OF CASH FLOWS
For the 12 months Ended December 31, 2011

2011

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income (Loss)	\$ 78.25
Adjustments to reconcile Net Income (Loss) to net Cash provided by (used in) operating activities:	
Losses (Gains) on sales of Fixed Assets	0.00
Decrease (Increase) in Operating Assets:	
Accounts Receivable	340.55
Other	(0.01)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	811.06
Accrued Liabilities	(1,121.00)
Total Adjustments	<u>30.60</u>
Net Cash Provided By (Used in) Operating Activities	108.85

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds From Sale of Fixed Assets	<u>0.00</u>
Net Cash Provided By (Used in) Investing Activities	0.00

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds From Sale of Stock	0.00
Treasury Stock	<u>0.00</u>
Net Cash Provided By (Used in) Financing Activities	<u>0.00</u>

**NET INCREASE (DECREASE) IN CASH
AND CASH EQUIVALENTS**

108.85

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

23,873.00

CASH AND CASH EQUIVALENTS AT END OF PERIOD

\$ 23,981.65

The footnotes are an integral part of the financial statements.

SYKES FINANCIAL SERVICES, LLC
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011

	Common Stock		Paid-in Capital		Retained Earnings	Total Stockholder's Equity
	Shares	Amount	Shares	Amount	Amount	Amount
Balance at January 1, 2011	-	\$ -	-	\$ 25,000	\$ 1,555	\$ 26,555
Net Income	-	-	-	-	78	78
Capital Transactions	-	-	-	-	-	-
Prior Period Adjustments	-	-	-	-	-	-
Balance at December 31, 2011	-	\$ -	-	\$ 25,000	\$ 1,633	\$ 26,633

The footnotes are an integral part of the financial statements.

SYKES FINANCIAL SERVICES, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE A – SUMMARY OF ACCOUNTING POLICIES

Accounting principles followed by the Company and the methods of applying those principles which materially affect the determination of financial position, results of operation and cash flows are summarized below:

Organization

Sykes Financial Services, LLC (the Company) was incorporated in the State of North Carolina effective March 9, 2004. The Company has adopted a calendar end.

Description of Business

The Company, located in Washington, North Carolina is a broker and dealer in securities registered with the Securities and Exchanges Commission ("SEC") and is a member of FINRA. The Company operates under SEC Rule 15c3-3(k)(1), which provides an exemption because of limited business.

Basis of Accounting

The financial statements of the Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

The Company considers as cash all short-term investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable – Recognition of Bad Debt

The Corporation considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Revenue Recognition

Commission revenues are recorded by the Company on the settlement date reported by the the investment company through submitted commission statements.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. All of the Company's cash and cash equivalents are held at high credit quality financial institutions.

SYKES FINANCIAL SERVICES, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Fair Value of Financial Instruments

Financial instruments that are subject to fair value disclosure requirements are carried in the financial statements at amount that approximate fair value and include cash and cash equivalents. Fair values are based on quoted market prices and assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates reflecting varying degrees of perceived risk.

Comprehensive Income

Statement of Financial Accounting Standards (SFAS) No. 130, Reporting Comprehensive Income, establishes requirements for disclosure of Comprehensive Income that includes certain items previously not included in the statement of income, including unrealized gains and losses on available-for-sales securities and foreign currency translation adjustment among others. During the year ended December 31, 2011, the Company did not have any components of Comprehensive Income to report.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Concentrations

Revenue concentrations exist as a function of the company's limited business of sales of mutual funds, variable life insurance, and annuities.

Income Taxes

The Company is a limited liability company that has elected, with the consent of its shareholder to be taxed under the Internal Code as an "S" corporation. In lieu of corporation income taxes, the shareholder of an "S" corporation includes in his individual income tax return his proportionate share of the Company's taxable income or loss. Therefore, no provision, liability or benefit for federal or state income taxes has been included in the accompanying financial statements.

NOTE B – NET CAPITAL REQUIREMENTS

Pursuant to the net capital provisions of Rule 15c3-3 of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis.

SYKES FINANCIAL SERVICES, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE C – ACCOUNTS RECEIVABLE

The accounts receivable consists of amounts due from various funds, \$914.45.

NOTE D – PREPAID EXPENSES

The prepaid expenses (\$2,548.01) represents regulatory fees that were prepaid.

NOTE D – ACCRUED LIABILITIES

The accounts payable is made of an amount of \$811.06 for commission payable to commission representatives.

NOTE E – RELATED PARTY

In 2003, the Company entered into an Expense Sharing Agreement with its shareholder, for the purpose of allocating expenses between the Company and its shareholder. The agreement provides a formula for allocating office space rental, and the expense for equipment, supplies and related overhead. During the year ended December 31, 2011, the Company paid \$2,042 under the terms of the agreement.

Supplementary Information

Supplementary
Pursuant to rule 17a-5 of the
Securities and Exchange Act of 1934
As of and for the Year Ended December 31, 2011

See accountant's audit report

Sykes Financial Services, LLC
Supplemental Schedules Required by Rule 17a-5
As of and for the year ended December 31, 2011

Computation of Net Capital

Total Members' equity:		\$ 26,633.20
Nonallowable assets:		
Prepaid assets	2,548.01	
Fixed Assets	0.00	
Accounts receivable – other	(80.00)	(2,628.01)
Other Charges		
Haircuts	0.00	
Undue Concentration	0.00	(0.00)
Net allowable capital		\$ 24,005.19

Computation of Basic Net Capital Requirement

Minimum net capital required as a percentage of aggregate indebtedness	\$ 54.09
Minimum dollar net capital requirement of reporting broker or dealer	\$ 5,000.00
Net capital requirement	\$ 5,000.00
Excess net capital	\$ 19,035.19

Computation of Aggregate Indebtedness

Total Aggregate Indebtedness	\$ 811.06
Percentage of aggregate indebtedness to net capital	3.50%

Reconciliation of the Computation of Net Capital Under Rule 15c3-1

Computation of Net Capital reported on FOCUS IIA as of December 31, 2011	\$ 24,005.19
Adjustments:	
Change in Equity (Adjustments)	
(31.96)	
Change in Non-Allowable Assets	(0.00)
Change in Haircuts	(0.00)
Change in Undue Concentration	0.00
NCC per Audit	24,005.19
Reconciled Difference	\$ (0.00)

Sykes Financial Services, LLC
Supplemental Schedules Required by Rule 17a-5
As of and for the year ended December 31, 2011

Exemptive Provisions Rule 15c3-3

The Company is exempt from Rule 15c3-3 pursuant to (k)(1).

Statement of Changes in Liabilities Subordinated to the Claims of General Creditors

Balance of such claims at January 1, 2011	\$ -
Additions	-
Reductions	-
Balance of such claims at December 31, 2011	<u>\$ -</u>

See accountant's audit report

REPORT ON INTERNAL CONTROL

For the year ended December 31, 2011

See accountant's audit report

Edward Richardson, Jr., CPA
15565 Northland Suite 508 West
Southfield, MI. 48075

February 22, 2012

Board of Directors
Sykes Financial Services, LLC
213 N. Market Street Suite 201
Washington, NC 27889-4949

In planning and performing my audit of the financial statements and supplemental schedules of Sykes Financial Services, LLC for the year ended December 31, 2011, I considered its internal control, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), I have made a study of the practices and procedures followed by the company, including tests of such practices and procedures that I considered relevant to the objective stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness 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, I 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.
2. Recordation of differences required by rule 17a-13.
3. 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 the preceding paragraphs. 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 paragraphs 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 accordance with accounting principles generally accepted in the United States. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraphs.

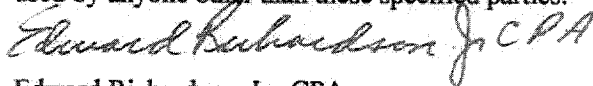
Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection or any evaluation of them

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. My consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted the following condition that I consider to be a material weakness as defined above.

Only one person is responsible for all accounting and reporting functions. Accordingly, there is no segregation of duties. Due to the size of the Company, management does not feel it is cost-effective to change this condition.

I understand that practices and procedures that accomplish the objectives referred to in the preceding paragraphs of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities and 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 my study, I believe that the Company's practices and procedures were adequate at December 31, 2011, to meet the SEC's objectives.

This report is intended solely for the information and use of management, the SEC and the regulatory agencies that rely on rule 17a-5(g) under the Securities and 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.

Edward Richardson, Jr., CPA

Edward Richardson, Jr., CPA