

AB
9/18

9/18



SECURITIES AND EXCHANGE COMMISSION
PROCESSED
AUG 30 2012

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

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

SEC
Mail Processing
Section
AUG 30 2012
Washington DC

SEC FILE NUMBER
8- 33980

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 07/01/11 AND ENDING 06/30/12
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Chauner Securities, Inc.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
666 Dundee Road - Suite 903
(No. and Street)
Northbrook Illinois 60062
(City) (State) (Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Mr. Frank B. Chauner 847-509-8880 ext 1
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Bernstein & Brown, P.C. PCAOB # 3363
(Name - if individual, state last, first, middle name)
3710 Commercial Ave - Suite 11 Northbrook Illinois 60062-1846
(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

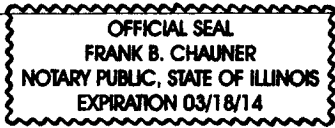
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

9/18

OATH OR AFFIRMATION

I, Sarah Cyphers, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Chauner Securities, Inc. of June 30, 2012, 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:

None



Signature of Frank B. Chauner, Notary Public

Signature of Saul C. Cyphers, Chief Compliance Officer

This report ** contains (check all applicable boxes):

- Checkboxes for report contents: (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).

INDEPENDENT AUDITOR'S REPORT

CHAUNER SECURITIES, INC.

**FOR THE YEAR ENDED JUNE 30, 2012
and Supplementary Information**

C O N T E N T S

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1 - 2
 FINANCIAL STATEMENTS	
Statement of Financial Condition	3
Statement of Income and Retained Earnings	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 8

SUPPLEMENTARY INFORMATION

I Statement of Changes in Shareholder's Equity	9
II Computation of Net Capital	10
III Reconciliation Pursuant to Rule 17a-5 (d)(4)	11
IV Computation of Aggregated Indebtedness	12
Report on Internal Accounting Control	13 - 15
Securities Investor Protection Corporation (SIPC) Report.....	16 - 18



BERNSTEIN & BROWN, P.C.
Certified Public Accountants and Consultants

847.714.9000
Fax 847.714.9191
www.bbcpa.net

3710 Commercial Ave., Suite 11
Northbrook, Illinois 60062

**To the Shareholder and
Board of Directors**

**CHAUNER SECURITIES, INC.
Northbrook, Illinois 60062**

INDEPENDENT PUBLIC ACCOUNTANT'S REPORT

We have audited the accompanying statement of financial condition of CHAUNER SECURITIES, INC., an Illinois corporation, as of June 30, 2012, and the related statements of income and retained earnings, 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 CHAUNER SECURITIES, INC., at June 30, 2012, 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 contained in Schedules I, II, III, and IV 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 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.

Bernstein & Brown, P.C.

August 24, 2012

CHAUNER SECURITIES, INC.

Statement of Financial Condition

June 30, 2012

CURRENT ASSETS

Cash and cash equivalents	\$79,542
Broker receivable	765

Total Current Assets \$80,307

OTHER ASSETS

Deposit-clearing broker	25,000
-------------------------	--------

TOTAL ASSETS \$105,307

LIABILITIES AND SHAREHOLDER'S EQUITY

CURRENT LIABILITIES

Accrued administration expenses	21,200
Broker payables	9,480
Accrued expenses	263

Total Current Liabilities \$30,943

SHAREHOLDER'S EQUITY

Capital stock	
10,000,000 shares common stock authorized;	
\$.01 par value; 1,000 shares issued and outstanding	\$10
Paid-in capital	9,990
Retained earnings, per accompanying statement	64,364

Total Shareholder's Equity 74,364

TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY \$105,307

The accompanying notes are an integral part of this statement.

CHAUNER SECURITIES, INC.

Statement of Income and Retained Earnings

For the Year Ended June 30, 2012

REVENUE

Commissions	\$416,977
Managing dealer fees	151,707
Mutual fund fees	45,321
Other Income	68
	<hr/>
Total Revenue	<u>\$614,073</u>

EXPENSES

Commissions	\$394,786
Administration fees	190,450
Regulatory expenses	18,903
Professional fees	9,800
Other fees	100
	<hr/>
Total Expenses	<u>\$614,039</u>

NET INCOME BEFORE INCOME TAXES \$34

INCOME TAXES

Income taxes	0
	<hr/>

NET INCOME TO RETAINED EARNINGS \$34

RETAINED EARNINGS JULY 1, 2011 64,330

RETAINED EARNINGS JUNE 30, 2012 \$64,364

The accompanying notes are an integral part of this statement.

CHAUNER SECURITIES, INC.

Statement of Cash Flows

For the Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$34
Changes in assets and liabilities	
Broker receivables	10,122
Broker payables	1,900
Accrued expenses	(38,313)

NET CASH FLOWS USED IN OPERATING ACTIVITIES (\$26,257)

NET DECREASE IN CASH (\$26,257)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 105,799

CASH AND CASH EQUIVALENTS AT END OF YEAR \$79,542

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

INTEREST PAID IN CASH \$0

INCOME TAXES PAID IN CASH \$0

The accompanying notes are an integral part of this statement.

CHAUNER SECURITIES, INC.

Notes to the Financial Statements
June 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business – Chauner Securities, Inc. is a registered security broker dealer. The Company is a non-carrying broker dealer with no client securities or funds physically held or under the control of the broker dealer.

Method of Accounting - The Company utilizes the accrual method of accounting for all financial purposes.

Cash Equivalents - The Company recognizes that cash and cash accounts with maturity dates of three months or less as cash equivalents in the financial statements. Cash includes all cash balances deposited with local and national financial institutions.

Securities Transactions - Securities transactions and related commission income and expense are recorded on the dates of the trade or transaction.

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 amounts of assets and liabilities and disclosures 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 may differ from those estimates.

NOTE B: INCOME TAXES

The company is a corporation for federal and state income tax purposes. For federal income tax purposes, the company's earnings of \$34 during the current fiscal year were offset by a net operating loss carryover from prior years.

The company's remaining federal net operating loss carryover from June 30, 2011 of \$17,550 is available to offset profits in ensuing years until June 30, 2039.

For state purposes the Illinois net operating loss carryover of \$19,758 to June 30, 2011 has been suspended by law until 2014 due to the poor economic state of affairs prevailing in the State of Illinois government budgets. The company was not liable for state income taxes at June 30, 2012 due to net income levels that are below the base limit of \$1,000.

The Company's evaluation at June 30, 2012 revealed no uncertain tax positions that would have a material impact on the financial statements. The fiscal year tax returns of June 30, 2009 through 2012 remain subject to possible examination by the U.S. Department of the Treasury Internal Revenue



CHAUNER SECURITIES, INC.

Notes to the Financial Statements
June 30, 2012

NOTE B: INCOME TAXES (Cont'd)

Service. The Illinois state income tax returns are also subject to possible examination by state authorities for the fiscal years June 30, 2009 through 2012.

The Company is of the opinion, that there are no reasonably possible changes that may occur within the ensuing twelve months for any income tax adjustments that will have a material effect on the financial statements.

NOTE C: NET CAPITAL REQUIREMENTS

The company is a broker/dealer subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). Under this rule, the company is required to maintain a "net capital" equivalent to \$5,000 effective as of July 19, 1998 or 6 2/3% of "aggregated indebtedness", whichever is greater, as these terms are defined.

Net capital and aggregated indebtedness change from day to day, but at June 30, 2012 the company had net capital of \$73,734 and net capital requirements of approximately \$5,000 respectively. The net capital rule may effectively restrict the payment of cash dividends.

NOTE D: RELATED PARTY TRANSACTIONS

The company has entered into an agreement with a related entity to share office space and administrative services. Rent, office services and other overhead amounts are to be allocated based upon the agreement between the respective parties.

The company incurred a total of \$190,450 for administrative expenses during the fiscal year. The related entity was due \$21,200 at June 30, 2012.

NOTE E: CUSTOMER POSSESSION AND CONTROL

The company is exempt from the full requirement of SEC Rule 15c3-3 as no customer's funds or securities are held or under the control of the broker dealer.

CHAUNER SECURITIES, INC.

Notes to the Financial Statements
June 30, 2012

NOTE F: CONCENTRATIONS OF RISK

The company is subject to concentrations of risk primarily from financial and economic conditions prevalent in investment markets. The ability of the company to market their products to investors is directly influenced by these prevailing conditions to which the company has no control.

The company's primary business is the structuring and marketing of private real estate securities and their entities primarily located in the United States of America.

These investments are highly influenced by the credit markets, real estate economic conditions and investor psychology. These investments are largely long term illiquid investments with limited marketability after the initial investment.

The ability of the company to market products is controlled by governmental and other industry regulators. The company is subject to the rules and regulations of these agencies. These regulations increase costs of compliance and changes in rules may adversely affect the ability of the company to conduct future security offering in this regulated environment.

NOTE G: SUBSEQUENT EVENTS

Subsequent events, if any, have been evaluated through the issue date of the report; August 24, 2012.

SUPPLEMENTARY INFORMATION

Schedule I

CHAUNER SECURITIES, INC.

Statement of Changes in Shareholder's Equity

For the Year Ended June 30, 2012

	<u>Common Stock</u>	<u>Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance - July 1, 2011	\$10	\$9,990	\$64,330	\$74,330
Net Income (Schedule)			34	34
Balance - June 30, 2012	\$10	\$9,990	\$64,364	\$74,364

See Accountant's Report

Schedule II

CHAUNER SECURITIES, INC.

Computation of Net Capital

For the Year Ended June 30, 2012

Total shareholder's equity from statement of financial condition	\$74,364
Less: nonallowable assets	0
haircuts on securities (pursuant to 15c3-1(f))	630
Net Capital	\$73,734
Minimum net capital requirements (6 2/3% X \$ 5,000)	\$2,063
Minimum net capital requirement	\$5,000
Excess net capital	\$68,734
Net capital less greater of 10% of aggregate indebtedness or 120% of net capital	\$67,734
Total aggregated indebtedness	\$30,943
Net capital	\$73,734
Percentage of aggregate indebtedness to net capital	41.97%

See Accountant's Report

Schedule III

CHAUNER SECURITIES, INC.

Reconciliation Pursuant to Rule 17a-5(d)(4)

For the Year Ended June 30, 2012

Net capital, as previously reported	\$73,839
Less: adjustments per audit	<u>(105)</u>
Net capital, as reported herein	\$73,734
Aggregated indebtedness, as previously reported	<u>\$30,827</u>
Aggregated indebtedness, as reported herein	<u><u>\$30,943</u></u>

See Accountant's Report

Schedule IV

CHAUNER SECURITIES, INC.

Computation of Aggregated Indebtedness

For the Year Ended June 30, 2012

Total allowable liabilities from statement of financial condition	\$30,943
Deduct: Special reserve bank account deposit [15c3-1(c)(1)(vii)]	<u>0</u>
Total Aggregated Indebtedness	<u><u>\$30,943</u></u>

See Accountant's Report



**To the Shareholder and
Board of Directors**

CHAUNER SECURITIES, INC.
Northbrook, Illinois 60062

In planning and performing our audit of the financial statements of CHAUNER SECURITIES, INC., an Illinois corporation, as of and for the year ended June 30, 2012, 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 require 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 and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e)**
- 2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the 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**
- 4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.**

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 previously mentioned objectives. Two of the objectives of internal control and 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 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 June 30, 2012, 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.

Handwritten signature in black ink that reads "Bernstein & Brown, P.C." with a stylized ampersand.

August 24, 2012



**To the Shareholder and
Board of Directors**

**CHAUNER SECURITIES, INC.
Northbrook, Illinois 60062**

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 June 30, 2012, which were agreed to by Chauner Securities, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., SIPC and solely to assist you and the other specified parties in evaluating Chauner Securities, Inc.'s compliance with the applicable instruction of the General Assessment Reconciliation (Form SIPC-7). Chauner Securities, Inc.'s management is responsible for the Chauner Securities, 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 procedure described below either for the purpose for which this report has been requested or for any other purpose. The procedure was performed and our findings are as follows:

- 1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries of January 30, 2012 for \$217 noting no differences;**

2. Compared the amounts reported on the audited Form X-17A-5 for the year ended June 30, 2012, as applicable, with the amounts reported in Form SIPC-7 for the year ended June 30, 2012, noting no differences;
3. Compared any adjustments reported inform 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 supporting the adjustments noting no differences; and
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7T on which it was originally computed noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Bernstein & Brown, P.C.

August 24, 2012

SIPC Supplemental Report

For the Year Ended June 30, 2012

Schedule of assessment payments:

January 30, 2012	SIPC	<u>\$217</u>
Total Payments		<u><u>\$217</u></u>

See Accountant's Report