

AB-
2/12

OMB
2/12/13

SEC
Mail Processing
Section
FEB 17 2013
Washington DC
402

SEC



13010220

MISSION

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 FILE NUMBER
8- 40323

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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Treece Financial Services Corp.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

6800 West Central Avenue, Unit G-1

(No. and Street)

Toledo

Ohio

43617-1112

(City)

(State)

(Zip Code)

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

Dock D. Treece

419-843-7744

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Mira + Kolena, Ltd.

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

4841 Monroe Street, Suite 350 Toledo

Ohio

43623

(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)

OMB
2/12/13

OATH OR AFFIRMATION

I, Dock D. Treece, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Treece Financial Services Corp., as of December 31, 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:



BENJAMIN C. TREECE
Notary Public
In and for
the State of Ohio
My Commission Expires
February 10, 2016

[Signature]
Signature
Dock D. Treece
President
Title

[Signature]
Notary Public

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

- (a) Facing Page.
- (b) Statement of ~~Financial Condition~~ Cash Flows.
- (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.
- (o) Independent Auditors' Report on Internal Control Structure.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

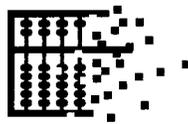
Treece Financial Services Corp.

**Financial Statements
and Supplemental Information**

Year Ended December 31, 2012

Table of Contents

Independent Auditors' Report	1
Audited Financial Statements	
Statement of Financial Condition	3
Statement of Income	4
Statement of Changes in Shareholders' Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Supplemental Information	
Computation of Net Capital under Rule 15c3-1 of the Securities and Exchange Commission	11
Computation for Determination of Reserve Requirements under Rule 15c3-3 of the Securities and Exchange Commission	12
Independent Auditors' Report on Internal Control Structure	13



MIRA+KOLENA

Charles J. Mira, J.D., CPA
Thomas E. Kolena, CPA/ABV/CFE

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Mira+Kolena, Ltd.
4841 Monroe Street
Suite 350
Toledo, Ohio 43623

419-474-5020
419-474-5072 Fax
mk@mirakolena.com

Member of:
American Institute
of Certified Public
Accountants

Ohio Society of
Certified Public
Accountants

Board of Directors
Treece Financial Services Corp.

We have audited the accompanying financial statements of Treece Financial Services Corp., (an Ohio corporation), which comprise the statement of financial condition as of December 31, 2012, and the related statements of income, changes in shareholders' equity, and cash flows for the year then ended and the related notes to the financial statements that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Treece Financial Services Corp. as of December 31, 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Treece Financial Services Corp.

Page 2

Report on Other Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the accompanying table of contents 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Mira + Kolena, Ltd.

Toledo, Ohio
January 21, 2013

Treece Financial Services Corp.

Statement of Financial Condition

December 31, 2012

Assets

Current assets:

Cash	\$ 24,674
Investments	115,101
Federal income taxes receivable	2,000
Notes and accounts receivable - affiliated entity	35,900
Commissions receivable	<u>2,242</u>

Total current assets 179,917

Other assets - deferred federal income taxes 9,300

Total assets \$ 189,217

Liabilities and Shareholders' Equity

Current liabilities:

Commissions payable	\$ 1,392
State taxes payable	<u>150</u>
Total current liabilities	1,542

Shareholders' equity:

Common stock - no par value; 750 shares authorized, 100 shares issued and outstanding	10,000
Retained earnings	<u>177,675</u>

Total shareholders' equity 187,675

Total liabilities and shareholders' equity \$ 189,217

See accompanying notes to financial statements.

Treece Financial Services Corp.

Statement of Income

Year Ended December 31, 2012

Revenues:	
Commissions	\$254,856
Interest and dividends	4,118
Net realized and unrealized gains on investments	<u>631</u>
	259,605
Expenses:	
Commissions	110,360
Administrative fees	83,364
Legal and professional fees	29,706
Management fees	15,000
Regulatory fees	2,631
Investment management fees	<u>2,290</u>
	243,351
Income before income taxes	16,254
Provision for deferred federal income taxes	<u>3,700</u>
Net income	<u>\$ 12,554</u>

See accompanying notes to financial statements.

Treece Financial Services Corp.

Statement of Changes in Shareholders' Equity

Year Ended December 31, 2012

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total Shareholders' Equity</u>
Balance at December 31, 2011	\$ 10,000	\$ 165,121	\$ 175,121
Net income		<u>12,554</u>	<u>12,554</u>
Balance at December 31, 2012	<u>\$ 10,000</u>	<u>\$ 177,675</u>	<u>\$ 187,675</u>

See accompanying notes to financial statements.

Treece Financial Services Corp.

Statement of Cash Flows

Year Ended December 31, 2012

Cash flows from operating activities:	
Net income	\$ 12,554
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Net realized and unrealized gains on investments	(631)
Deferred federal income taxes	3,700
Proceeds from sale of investments	115,791
Purchase of investments	(114,470)
Changes in assets and liabilities:	
Commissions receivable	(2,242)
Commissions payable	1,390
Net cash provided by operating activities	<u>16,092</u>
Cash flows from investing activities:	
Proceeds from notes receivable	35,000
Advances under notes receivable	<u>(35,000)</u>
Net cash provided by investing activities	<u>-</u>
Increase in cash	16,092
Cash at beginning of year	<u>8,582</u>
Cash at end of year	<u><u>\$ 24,674</u></u>

See accompanying notes to financial statements.

Treece Financial Services Corp.

Notes to Financial Statements

December 31, 2012

1. Summary of Significant Accounting Policies

Basis of Presentation

The Company is a broker-dealer registered with the Securities and Exchange Commission (“SEC”) which does not hold customer securities. The Company clears all stock exchange transactions for customers on a fully disclosed basis with a clearing broker. The Company’s customer base is located primarily in Ohio.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk and Revenue

Substantially all of the Company's revenues are primarily related to transactions involving mutual funds from one mutual fund company.

Investments

Investments are recorded at fair market value based on quoted market prices in the accompanying financial statements. Realized gains and losses on marketable securities are recorded on a specific identification basis. Unrealized gains and losses on marketable securities accounted for as trading investments are reflected in the statement of operations.

Commission Revenue and Expense

Commission revenue and expense is recorded on a trade date basis. Certain fees received from mutual funds are recognized when received.

Income Taxes

The Company has evaluated the guidelines relating to uncertain tax positions and has concluded the Company has no significant financial statement exposure to uncertain tax positions at December 31, 2012. The Company is subject to federal, state and local tax audits, but is no longer under subject to examination for any years prior to 2008. The Company did not have any income tax audits during the year ended December 31, 2012.

Treece Financial Services Corp.

Notes to Financial Statements - continued

December 31, 2012

1. Summary of Significant Accounting Policies - continued

Fair Value Information

Accounting principles accepted in the United States establishes a framework for measuring fair value, requires expanded disclosure about the information used to measure fair value, and establishes a three-tier value hierarchy which prioritizes the inputs used in measuring fair value. The following is a list of the different levels in the fair value hierarchy based on the data and/or methods used to determine fair value:

- Level 1: Quoted market prices in active markets for identical assets or liabilities
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data for substantially the full terms of the asset or liability
- Level 3: Unobservable inputs reflecting management's assumptions and are significant to the measure of fair value

The Company has certain assets or liabilities that are required to be recorded at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. The asset's or liability's fair value measurement level is based on the lowest level of any input that is significant to the fair value measurement. Mutual funds are valued at closing price reported on the active market on which the individual securities are traded at year end.

The following table sets forth by level, within the fair value hierarchy, the Company's assets valued at fair value on a recurring basis as of December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	<u>\$ 115,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,101</u>

Subsequent Events

The Company has evaluated subsequent events for potential recognition and disclosures in the December 31, 2012 financial statements through January 21, 2013, the date financial statements are available to be issued.

2. Investments

Investments at December 31, 2012 are as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gains</u>
Mutual funds	<u>\$ 114,763</u>	<u>\$ 115,101</u>	<u>\$ 338</u>

Gross unrealized gains and losses were \$8,047 and \$7,709 at December 31, 2012, respectively.

Treece Financial Services Corp.

Notes to Financial Statements - continued

December 31, 2012

3. Income Taxes

The Company is a member of a brother-sister controlled group for federal income tax purposes. The federal income tax provision differs from the amount computed under the statutory rate due principally to net operating loss carryback adjustments. Deferred federal income taxes are recognized for differences between the basis of assets and liabilities for financial reporting and income tax purposes. Net deferred federal income tax assets at December 31, 2012 related to the following:

Net operating loss carryforwards	\$ 9,277
Accrued commissions	209
Accrued interest income	(135)
Unrealized gains on investments	<u>(51)</u>
Deferred tax assets	<u>\$ 9,300</u>

At December 31, 2012, the Company had net operating loss carryforwards of approximately \$61,500. A valuation allowance is recognized if it is anticipated that some or all of a deferred tax asset will not be realized. Any tax reserves for uncertain tax positions are recorded in accordance with Financial Accounting Standards Board Accounting Standards Codification 740, *Income Taxes*.

4. Related Parties

The Company makes advances to an entity affiliated through common ownership. These notes receivable amounted to \$35,000 at December 31, 2012 including interest at 9% and are due in 2013. Interest income on these notes of \$3,150 was recognized in 2012. Interest receivable under these notes was \$900 at December 31, 2012.

The Company shares office personnel and its office facility with an entity affiliated through common ownership. An administrative charge is billed using an allocation of actual expenses shared for personnel, facility and office expenses. Administrative fees of \$83,364 were incurred in 2012.

The Company pays investment management fees to a company affiliated through common ownership which amounted to \$2,290 for the year ended December 31, 2012.

5. Net Capital Requirements

The Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) of the SEC, which requires the maintenance of minimum net capital of \$5,000 at December 31, 2012 and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2012, the Company had net capital of \$123,209 and an aggregate indebtedness ratio of .01 to 1.

SUPPLEMENTAL INFORMATION

Treece Financial Services Corp.
Computation of Net Capital
Under Rule 15c3-1 of the Securities and Exchange Commission
Year Ended December 31, 2012
(See Independent Auditors' Report)

Net capital:	
Total shareholders' equity	\$ 187,675
 Deductions of nonallowable assets:	
Federal income taxes receivable	2,000
Notes and accounts receivable	35,900
Deferred federal income taxes	9,300
Haircut on mutual funds	17,266
	<u>64,466</u>
 Net capital	 <u>\$ 123,209</u>
 Aggregate indebtedness	 <u>\$ 1,542</u>
 Computation of basic net capital - minimum net capital required	 <u>\$ 5,000</u>
 Excess net capital	 <u>\$ 118,209</u>
 Ratio - aggregate indebtedness to net capital	 <u>0.01 to 1</u>

Treece Financial Services Corp. net capital reported in Part II of Form X-17A-5 as of December 31, 2012 agrees to the net capital of \$123,209 reported above.

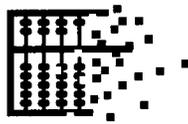
Treece Financial Services Corp.

**Computation For Determination of
Reserve Requirements under Rule 15c3-3 of the Securities and Exchange Commission**

Year Ended December 31, 2012

(See Independent Auditors' Report)

Treece Financial Services Corp. claims exemption from Rule 15c3-3 pursuant to subparagraph (k)(2)(ii) because the Company does not carry customer accounts as the Company clears all transactions for customers on a fully disclosed basis with a clearing broker.



MIRA+KOLENA

Charles J. Mira, J.D., CPA
Thomas E. Kolena, CPA/ABV/CFE

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE

Mira+Kolena, Ltd.
4841 Monroe Street
Suite 350
Toledo, Ohio 43623

419-474-5020
419-474-5072 Fax
mk@mirakolena.com

Board of Directors
Treece Financial Services Corp.

Member of:
American Institute
of Certified Public
Accountants

Ohio Society of
Certified Public
Accountants

In planning and performing our audit of the financial statements of Treece Financial Services Corp. (the "Company") as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances 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 Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in making quarterly securities examinations, counts, verifications and comparisons and the recordation of differences required by rule 17a-13 and complying with the requirements for prompt payment of securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Board of Directors
Treece Financial Services Corp.

Page 2

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 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 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, 2012 to meet the SEC's objectives.

The report is intended solely for the information and use of the Board of Directors, management, the Securities Exchange Commission, FINRA, and other regulatory agencies which 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.

Mira & Kolena, Ltd.

Toledo, Ohio
January 21, 2013