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

SEC  
Mail Processing  
Section

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

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

FEB 28 2013  
Washington DC  
401

SEC FILE NUMBER  
8- 51188

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

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: HERITAGE BENEFITS FINANCIAL SERVICES, INC.

OFFICIAL USE ONLY  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
2950 NORTHUP WAY, SUITE 105

(No. and Street)

BELLEVUE

WA

98004

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
EDWIN A. DAY 425-827-1417

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

HAGELIN & ALLOWAY PS

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

2200 SIXTH AVENUE, SUITE 430

SEATTLE

WA

98121

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

**FOR OFFICIAL USE ONLY**

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

SEC 1410 (06-02)

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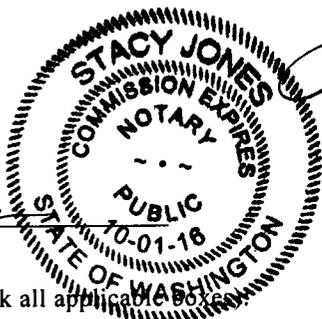
DD  
3/1/13

OATH OR AFFIRMATION

I, EDWIN A. DAY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of HERITAGE BENEFITS FINANCIAL SERVICES, INC., as of DECEMBER 31, 20 12, 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

Stacy Jones
Notary Public



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 Cash Flows.
(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).

**HAGELIN & ALLOWAY PS**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
2200 Sixth Avenue, Suite 430  
Seattle, WA 98121-1845

**(206) 441-7100**  
**FAX (206) 441-5804**

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Heritage Benefits Financial Services, Inc.

We have audited the accompanying financial statements of Heritage Benefits Financial Services, Inc. which comprise the statement of financial condition as of December 31, 2012, and the related statements of income, stockholders' equity, and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements.

**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.

**Auditor's 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 of 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 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.

INDEPENDENT AUDITOR'S REPORT  
(continued)

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation.

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 Heritage Benefits Financial Services, Inc. as of December 31, 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.

*Hagelin & Alloway PS*

Seattle, Washington

February 20, 2013

HERITAGE BENEFITS FINANCIAL SERVICES, INC.  
STATEMENT OF FINANCIAL CONDITION  
December 31, 2012

ASSETS

Cash and cash equivalents	\$	44,307
Commissions receivable, net of allowance for doubtful accounts of \$0		22,118
Prepaid expenses		956
	\$	<u>67,381</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable	\$	668
Retirement contributions payable		12,000
		<u>12,668</u>
Commitments and contingent liabilities		
Stockholders' equity:		
Common stock - no par value:		
Authorized - 50,000 shares, issued and outstanding - 1,000 shares		29,000
Additional paid in capital		-
Retained earnings		25,713
Accumulated other comprehensive income		-
		<u>54,713</u>
	\$	<u>67,381</u>

See notes to financial statements.

HERITAGE BENEFITS FINANCIAL SERVICES, INC.  
STATEMENT OF INCOME  
For the year ended December 31, 2012

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REVENUES	
Commissions	\$ 222,334
Total revenues	<u>222,334</u>
EXPENSES	
Salaries and payroll taxes	65,744
Employee benefits	490
Rent	8,956
Office expenses	6,563
Telephone	2,631
Meals and Entertainment	134
Professional fees	7,230
Dues and subscriptions	899
Business taxes	5,844
Registration fees and expenses	2,640
Investment fees	179
Total expenses	<u>101,310</u>
OTHER INCOME AND EXPENSE	
Interest income	690
Realized gain on investments	319
Total other income and expense	<u>1,009</u>
NET INCOME	\$ 122,033
OTHER COMPREHENSIVE INCOME, NET OF TAX	
Unrealized gain on investments	83
TOTAL COMPREHENSIVE INCOME	<u><u>\$ 122,116</u></u>

See notes to financial statements.

HERITAGE BENEFITS FINANCIAL SERVICES, INC.  
STATEMENT OF STOCKHOLDERS' EQUITY  
For the year ended December 31, 2012

	<u>Dollars</u>	Common Stock Contributed <u>Capital</u>	Retained <u>Earnings</u>	Accumulated Other Comprehensive <u>Income</u>
Balance - December 31, 2011	\$ 29,000	\$ 91,390	\$ (61,106)	\$ (83)
Capital contributions		-		
Dividend Distributions		\$ (91,390)	(35,214)	
Net income			122,033	
Other comprehensive income	_____	_____	_____	83
Balance - December 31, 2012	<u>\$ 29,000</u>	<u>\$ -</u>	<u>\$ 25,713</u>	<u>\$ -</u>

See notes to financial statements.

HERITAGE BENEFITS FINANCIAL SERVICES, INC.  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2012  
Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	\$ 122,033
Adjustment to reconcile net income to net cash provided by operating activities:	
(Increase) decrease in:	
Commissions receivable	16,313
Prepaid expenses	(394)
Increase (decrease) in:	
Accounts payable	(6,300)
Retirement contributions payable	-
(Gain) on sale of securities	(319)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>131,333</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of available-for-sale securities	(406)
Proceed from sale of available-for-sale securities	19,489
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	<u>19,083</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Capital contributions	-
Dividend distributions	(126,604)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES	<u>(126,604)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,812
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>20,495</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 44,307</u></u>

See notes to financial statements.

HERITAGE BENEFITS FINANCIAL SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

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1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY - The Company is a Financial Industry Regulatory Authority Registered Broker and Dealer. Commission revenues are generated predominantly from the sale of private placement securities.

INCOME RECOGNITION - Securities transactions and the commission revenue and expense are recorded in the accounts on a trade date basis.

INCOME TAXES - The Company has elected "S" corporation status, effective since 2001. Under these provisions, the Company generally does not pay Federal corporate income taxes on its taxable income. Instead, the stockholders are liable for individual Federal income taxes based upon the Company's taxable income.

The Company's tax returns are subject to possible examination by the taxing authorities. For Federal income tax purposes the returns essentially remain open to possible examination for a period of three years after the respective filing deadlines of those returns. For state and local tax purposes the period may extend to five years.

RELATED PARTIES - The Company had agreed to pay a commission expense equal to all commission income to an affiliated single member LLC. Both the Company and the LLC are solely owned and controlled by the same individual. Pursuant to the expense agreement between the Company and the LLC, the LLC paid all non-commission expenses on behalf of the Company. In accordance with the expense agreement and FINRA guidance the payment of expenses by the LLC on behalf of the Company constituted a capital contribution. Expenses for common items between the Company and the LLC are allocated between the two entities, whereas expenses due solely from the Company are allocated solely to the Company. On March 22, 2011 the expense agreement was terminated. Subsequent to this termination there is no obligation to pay commission income to the affiliate or the affiliate to pay the Company's expenses. The Company and its affiliate have separate employees that perform functions for both companies. These shared employees wages and benefits expenses cannot be allocated cost effectively, therefore subsequent to March 22, 2011 the only employee expenses recorded by the Company will be for its sole employee.

HERITAGE BENEFITS FINANCIAL SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
(continued)

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1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)

INVESTMENTS - The Company classifies its marketable debt and equity securities as available for sale. Securities classified as available for sale are carried in the financial statements at fair value. Realized gains and losses, determined using the first-in, first-out (FIFO) method, are included in earnings; unrealized holding gains and losses are reported in other comprehensive income.

ESTIMATES AND ASSUMPTIONS - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

FAIR VALUE OF FINANCIAL INSTRUMENTS - The carrying value of cash, receivables and accounts payable approximate fair value due to the short maturity of these instruments.

CASH AND CASH EQUIVALENTS - The Company considers cash and cash equivalents to include cash and those short-term, highly liquid investments with original maturities of three months or less.

2. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital 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 \$31,639 and net capital required under the Rule was \$5,000. The aggregate indebtedness to net capital ratio was .40 to 1.

The net capital rules may effectively restrict the payment of cash dividends.

3. MARKETABLE EQUITY SECURITIES

Cost basis of marketable equity securities at December 31, 2012 was \$0 and market value was \$0. At year end there was no unrealized gain and no unrealized loss.

HERITAGE BENEFITS FINANCIAL SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
(continued)

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3. MARKETABLE EQUITY SECURITIES (continued)

The fair value of all equity securities has been measured on a recurring basis using Level 1 inputs, which are based on unadjusted quoted market prices within active markets. There have been no changes in valuation techniques or related inputs.

4. COMMITMENTS

The Company leases office premises under a noncancelable operating lease. The Company shares the lease with other entities, and is not expected to make the required minimum payments, but is obligated to do so in the event the other entities fail to make rental payments. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2012:

<u>Year ending December 31,</u>	
2013	\$37,758
Total minimum payments required	<u>\$37,758</u>

The Company's rental expense, under operating leases, was \$8,956 during 2012.

5. EMPLOYEE PROFIT SHARING PLAN

The Company's employees are participants in a profit sharing plan. The plan covers substantially all of the Company's employees.

The plan is a simplified employee pension plan. The Company is not obligated for minimum contributions, but may elect to make discretionary contributions determined by the Board of Directors. Contributions cannot exceed twenty five percent of compensation. Contributions of \$12,000 were authorized by the Board of Directors for 2012. The Company funds plan contributions as incurred.

6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 20, 2013, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

**HAGELIN & ALLOWAY PS**  
CERTIFIED PUBLIC ACCOUNTANTS  
2200 Sixth Avenue, Suite 430  
Seattle, WA 98121-1845

**(206) 441-7100**  
**FAX (206) 441-5804**

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

Board of Directors  
Heritage Benefits Financial Services, Inc.

We have audited the accompanying financial statements of Heritage Benefits Financial Services, Inc. as of and for the year ended December 31, 2012, and have issued our report thereon dated February 20, 2013 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information contained in pages 14 - 23 required by Rule 17a-5 under the Securities Exchange Act of 1934 is presented for purposes of additional analysis and is not a required part of the financial statements. 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 statement 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 the auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Hagelin & Alloway PS*

Seattle, Washington

February 20, 2013

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

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

Form  
X-17A-5

**FOCUS REPORT**  
(Financial and Operational Combined Uniform Single Report)  
**PART IIA**  12

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

1) Rule 17a-5(a)  16

2) Rule 17a-5(b)  17

3) Rule 17a-11  18

4) Special request by designated examining authority  19

5) Other  26 Rule 17a-5(d)

NAME OF BROKER-DEALER

HERITAGE BENEFITS FINANCIAL SERVICES, INC.  13

SEC FILE NO.

8-51188  14

FIRM I.D. NO.

45797  15

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

2950 NORTHUP WAY, SUITE 105  20

FOR PERIOD BEGINNING (MM/DD/YY)

01/01/12  24

(No. and Street)

BELLEVUE  21

WA  22

98004  23

AND ENDING (MM/DD/YY)

12/31/12  25

(City)

(State)

(Zip Code)

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

EDWIN A. DAY  30

(Area Code) — Telephone No.

425-827-1417  31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

32

34

36

38

OFFICIAL USE

33

35

37

39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES  40 NO  41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT  42

**EXECUTION:**

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 25TH day of FEBRUARY 20 13

Manual signatures of:

1) \_\_\_\_\_  
Principal Executive Officer or Managing Partner

2) \_\_\_\_\_  
Principal Financial Officer or Partner

3) \_\_\_\_\_  
Principal Operations Officer or Partner

**ATTENTION** — Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:f(a))

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

**TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (if individual, state last, first, middle name)

HAGELIN & ALLOWAY PS 70

ADDRESS

2200 SIXTH AVENUE, SUITE 430 71 SEATTLE 72 WA 73 98121 74

Number and Street City State Zip Code

CHECK ONE

- Certified Public Accountant 75
- Public Accountant 76
- Accountant not resident in United States  
or any of its possessions 77

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DO NOT WRITE UNDER THIS LINE . . . FOR SEC USE ONLY

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# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER <b>HERITAGE BENEFITS FINANCIAL SERVICES, INC.</b>	N 3									100
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### STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY)	12/31/12	99
SEC FILE NO.	8-51188	98
	Consolidated	198
	Unconsolidated <input checked="" type="checkbox"/>	199

	Allowable	Non-Allowable	Total
1. Cash .....	\$ 44,307 200		\$ 44,307 750
2. Receivables from brokers or dealers:			
A. Clearance account .....	295		
B. Other .....	300	22,118 550	22,118 810
3. Receivable from non-customers .....	355	600	955
4. Securities and spot commodities owned at market value:			
A. Exempted securities .....	418		
B. Debt securities .....	419		
C. Options .....	420		
D. Other securities .....	424		
E. Spot commodities .....	430		0 850
5. Securities and/or other investments not readily marketable:			
A. At cost $\frac{1}{2}$ \$ .....	130		
B. At estimated fair value .....	440	610	860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:			
A. Exempted securities \$ .....	150		
B. Other securities \$ .....	160		
7. Secured demand notes: Market value of collateral:	470	640	890
A. Exempted securities \$ .....	170		
B. Other securities \$ .....	180		
8. Memberships in exchanges:			
A. Owned, at market \$ .....	190		
B. Owned, at cost .....		650	
C. Contributed for use of the company, at market value .....		660	900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships .....	480	670	910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization .....	490	680	920
11. Other assets .....	535	956 735	956 930
12. TOTAL ASSETS .....	\$ 44,307 540	\$ 23,074 740	\$ 67,381 940

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER **HERITAGE BENEFITS FINANCIAL SERVICES, INC.**

as of 12/31/12

### STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

#### LIABILITIES AND OWNERSHIP EQUITY

<b>Liabilities</b>	<b>A.I. Liabilities</b>	<b>Non-A.I. Liabilities</b>	<b>Total</b>
13. Bank loans payable .....	\$ 1045	\$ 1255 <sup>13</sup>	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account .....	1114	1315	1560
B. Other .....	1115 <sup>10</sup>	1305	1540
15. Payable to non-customers .....	1155	1355	1610
16. Securities sold not yet purchased, at market value .....		1360	1620
17. Accounts payable, accrued liabilities, expenses and other .....	12,668 1205	1385	12,668 1685
18. Notes and mortgages payable:			
A. Unsecured .....	1210		1690
B. Secured .....	1211 <sup>12</sup>	1390 <sup>14</sup>	1700
19. E. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings: .....		1400	1710
1. from outsiders <sup>9</sup> \$ .....	970		
2. includes equity subordination (15c3-1(d)) of ... \$ .....	980		
B. Securities borrowings, at market value .....		1410	1720
from outsiders \$ .....	990		
C. Pursuant to secured demand note collateral agreements .....		1420	1730
1. from outsiders \$ .....	1000		
2. includes equity subordination (15c3-1(d)) of ... \$ .....	1010		
D. Exchange memberships contributed for use of company, at market value .....		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes .....	1220	1440	1750
20. TOTAL LIABILITIES .....	\$ 12,668 1230	\$ 1450	\$ 12,668 1760
<b>Ownership Equity</b>			
21. Sole Proprietorship .....			1770 <sup>15</sup>
22. Partnership (limited partners) .....	1020 <sup>11</sup>		1780
23. Corporation:			
A. Preferred stock .....			1791
B. Common stock .....		29,000	1792
C. Additional paid-in capital .....		0	1793
D. Retained earnings .....		25,713	1794
E. Total .....		54,713	1795
F. Less capital stock in treasury .....		(100)	1796 <sup>16</sup>
24. TOTAL OWNERSHIP EQUITY .....		\$ 54,713	\$ 1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY .....		\$ 67,381	\$ 1810

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER **HERITAGE BENEFITS FINANCIAL SERVICES, INC.**

as of 12/31/12

### COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition .....	\$	54,713		3480
2. Deduct ownership equity not allowable for Net Capital .....			19 (	3490
3. Total ownership equity qualified for Net Capital .....		54,713		3500
4. Add:				
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital .....				3520
B. Other (deductions) or allowable credits (List) .....				3525
5. Total capital and allowable subordinated liabilities .....	\$	54,713		3530
6. Deductions and/or charges:				
A. Total non-allowable assets from				
Statement of Financial Condition (Notes B and C) .....	17 \$	23,074		3540
B. Secured demand note delinquency .....				3590
C. Commodity futures contracts and spot commodities – proprietary capital charges .....				3600
D. Other deductions and/or charges .....				3610
7. Other additions and/or allowable credits (List) .....			( 23,074 )	3620
8. Net capital before haircuts on securities positions .....	20 \$	31,639		3630
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):				
A. Contractual securities commitments .....	\$			3660
B. Subordinated securities borrowings .....				3670
C. Trading and investment securities:				
1. Exempted securities .....	18			3735
2. Debt securities .....				3733
3. Options .....				3730
4. Other securities .....				3734
D. Undue Concentration .....				3650
E. Other (List) .....			( 0 )	3740
10. Net Capital .....	\$	31,639		3750

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER **HERITAGE BENEFITS FINANCIAL SERVICES, INC.**

as of 12/31/12

### COMPUTATION OF NET CAPITAL REQUIREMENT

**Part A**

11. Minimum net capital required (6 $\frac{2}{3}$ % of line 19) .....	\$ 845	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$ 5,000	3758
13. Net capital requirement (greater of line 11 or 12) .....	\$ 5,000	3760
14. Excess net capital (line 10 less 13) .....	\$ 26,639	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19) .....	\$ 25,639	3780

### COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition .....	\$ 12,668	3790
17. Add:		
A. Drafts for immediate credit .....	\$ 3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited .....	\$ 3810	
C. Other unrecorded amounts (List) .....	\$ 3820	3830
18. Total aggregate indebtedness .....	\$ 12,668	3840
19. Percentage of aggregate indebtedness to net capital (line 18 ÷ by line 10) .....	%	0.40 3850
20. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) .....	%	3860

### COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

**Part B**

21. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits .....	N/A	3970
22. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$ 3880	3880
23. Net capital requirement (greater of line 21 or 22) .....	\$ 3760	3760
24. Excess capital (line 10 less 23) .....	\$ 3910	3910
25. Net capital in excess of the greater of:		
A. 5% of combined aggregate debit items or \$120,000 .....	\$ 3920	3920

**NOTES:**

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
  1. Minimum dollar net capital requirement, or
  2. 6 $\frac{2}{3}$ % of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER **HERITAGE BENEFITS FINANCIAL SERVICES, INC.**

For the period (MMDDYY) from 12/01/12 3932 to 12/31/12 3933  
 Number of months included in this statement 12 3931

### STATEMENT OF INCOME (LOSS)

#### REVENUE

1. Commissions:			
a. Commissions on transactions in exchange listed equity securities executed on an exchange .....	\$	3935	3935
b. Commissions on listed option transactions .....	25	3938	3938
c. All other securities commissions .....		3939	3939
d. Total securities commissions .....		3940	3940
2. Gains or losses on firm securities trading accounts			
a. From market making in options on a national securities exchange .....		3945	3945
b. From all other trading .....		3949	3949
c. Total gain (loss) .....		3950	3950
3. Gains or losses on firm securities investment accounts .....		402	3952
4. Profit (loss) from underwriting and selling groups .....	26	222,334	3955
5. Revenue from sale of investment company shares .....		3970	3970
6. Commodities revenue .....		3990	3990
7. Fees for account supervision, investment advisory and administrative services .....		3975	3975
8. Other revenue .....		690	3995
9. Total revenue .....	\$	223,426	4030

#### EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers .....			
11. Other employee compensation and benefits .....		65,744	4120
12. Commissions paid to other broker-dealers .....		490	4115
13. Interest expense .....		4070	4140
a. Includes interest on accounts subject to subordination agreements .....		4070	4075
14. Regulatory fees and expenses .....		2,640	4195
15. Other expenses .....		32,436	4100
16. Total expenses .....	\$	101,310	4200

#### NET INCOME

17. Income (loss) before Federal income taxes and items below (Item 9 less Item 16) .....			
18. Provision for Federal income taxes (for parent only) .....	28	122,116	4210
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above .....		4222	4220
a. After Federal income taxes of .....		4338	4224
20. Extraordinary gains (losses) .....			
a. After Federal income taxes of .....		4239	4225
21. Cumulative effect of changes in accounting principles .....		4225	4230
22. Net income (loss) after Federal income taxes and extraordinary items .....	\$	122,116	4230

#### MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items .....			
	\$	4211	4211

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **HERITAGE BENEFITS FINANCIAL SERVICES, INC.**

For the period (MMDDYY) from 123112 to 123112

### STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

1. Balance, beginning of period .....	\$	59,201	4240
A. Net income (loss) .....		122,116	4250
B. Additions (Includes non-conforming capital of .....	\$	0	4260
C. Deductions (Includes non-conforming capital of .....	\$	126,604	4270
		54,713	4290
2. Balance, end of period (From item 1800) .....	\$		

### STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

3. Balance, beginning of period .....	\$	N/A	4300
A. Increases .....			4310
B. Decreases .....			4320
4. Balance, end of period (From item 3520) .....	\$		4330

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **HERITAGE BENEFITS FINANCIAL SERVICES, INC.**

as of 12/31/12

### EXEMPTIVE PROVISION UNDER RULE 15c3-3

24. If an exemption from Rule 15c3-1 is claimed, identify below the section upon which such exemption is based (check one only)

- |   |                                     |      |
|---|-------------------------------------|------|
| A. (k)(1) — \$2,500 capital category as per Rule 15c3-1 .....   | <input type="checkbox"/>            | 4550 |
| B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained .....  | <input checked="" type="checkbox"/> | 4560 |
| C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis.<br>Name of clearing firm <sup>30</sup> ..... | <input type="checkbox"/>            | 4570 |
| D. (k)(3) — Exempted by order of the Commission (include copy of letter) .....  | <input type="checkbox"/>            | 4580 |

### Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual (See below for code)	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)
1	EDWIN A. DAY	IN	20,000	011113	NO
31	4600	4601	4602	4603	4604
32	4610	4611	4612	4613	4614
33	4620	4621	4622	4623	4624
34	4630	4631	4632	4633	4634
35	4640	4641	4642	4643	4644
			Total \$ <sup>36</sup> <u>20,000</u> <u>N/A</u>	4699	

OMIT PENNIES

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

WITHDRAWAL CODE:	DESCRIPTIONS
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals

HERITAGE BENEFITS FINANCIAL SERVICES, INC.  
 COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE  
 SECURITIES AND EXCHANGE COMMISSION  
 December 31, 2012

NET CAPITAL	
Total stockholder's equity qualified for net capital	\$ 54,713
Deductions and/or charges:	
Receivable from brokers or dealers, other	(23,074)
Haircuts on securities	-
Net capital	<u>\$ 31,639</u>
AGGREGATE INDEBTEDNESS	
Items included in statement of financial condition	
Accounts payable	\$ 668
Retirement contributions payable	<u>12,000</u>
Total aggregate indebtedness	<u>\$ 12,668</u>
COMPUTATION OF BASIS NET CAPITAL REQUIREMENT	
Minimum net capital required	<u>\$ 845</u>
Minimum dollar net capital required of reporting broker or dealer	<u>\$ 5,000</u>
Excess net capital	<u>\$ 26,639</u>
Excess net capital at 1000%	<u>\$ 25,639</u>
Ratio: Aggregate indebtedness to net capital	<u>.40 to 1</u>
RECONCILIATION WITH COMPANY'S COMPUTATION	
(included in Part IIA of Form X-17A-5 as of December 31, 2012)	
Net capital, as reported in Company's Part IIA (Unaudited) FOCUS report	<u>\$ 31,639</u>
Audit adjustments increasing (decreasing) assets	-
Audit adjustments decreasing (increasing) A.I. liabilities	-
Audit adjustments decreasing (increasing) net capital	-
Net capital as computed per this schedule	<u>\$ 31,639</u>

**HAGELIN & ALLOWAY PS**  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL REQUIRED BY RULE 17a-5 OF THE  
SECURITIES AND EXCHANGE COMMISSION

Board of Directors  
Heritage Benefits Financial Services, Inc.

In planning and performing our audit of the financial statements of Heritage Benefits Financial Services, Inc. (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 for 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, 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 any of the following:

1. Making the quarterly securities examinations, counts, verifications, comparisons and recordation of differences required by Rule 17a-13.
2. 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.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL REQUIRED BY RULE 17a-5 OF THE  
SECURITIES AND EXCHANGE COMMISSION

(Continued)

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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 Commission'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 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 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.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL REQUIRED BY RULE 17a-5 OF THE  
SECURITIES AND EXCHANGE COMMISSION

(Continued)

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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 Commission 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 were adequate at December 31, 2012, to meet the Commission's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the Financial Industry Regulatory Authority 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.

*Hagelin & Alloway PS*

Seattle, Washington

February 20, 2013