

AB  
3/7

UNITED STATES

SEC 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



13013731

Mail Processing  
Section

MAR 01 2013

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

SEC FILE NUMBER
8-53205

Washington DC  
405

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: American Financial Securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

6003 University Ave, Suite C  
(No. and Street)

Cedar Falls, IA 50613  
(City) (State) (Zip Code)

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

Howard R. Dobson, Jr. 319-277-3553  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Clifton Larson Allen LLP  
(Name - if individual, state last, first, middle name)

600 3rd Ave SE, Suite 300 Cedar Rapids, IA 52401  
(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)

Potential persons who are to 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.

DD  
3/9/13

OATH OR AFFIRMATION

I, Howard R. Dobson, Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of American Financial Securities Inc., as of 12/31, 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:



Howard R. Dobson, Jr.  
Signature

Vice President / Fin. Op  
Title

Janell Meyer  
Notary Public

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

**AMERICAN FINANCIAL SECURITIES, INC.**  
**Cedar Falls, Iowa**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**  
**December 31, 2012**

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	1
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Condition .....	3
Statement of Income.....	4
Statement of Changes in Stockholder's Equity.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements .....	7
<b>SUPPLEMENTARY INFORMATION</b> .....	10
Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission.....	11
Computation of Basic Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission.....	12
Computation for Determination of Reserve Requirements Under Rule 15c3-3.....	13
<b>REPORT ON INTERNAL CONTROL</b> .....	14



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
www.cliftonlarsonallen.com

## **Independent Auditors' Report**

Board of Directors  
American Financial Securities, Inc.  
Cedar Falls, Iowa

We have audited the accompanying financial statements of American Financial Securities, Inc. (the Company), which comprise the statement of financial condition as of December 31, 2012 and the related statements of income, changes in stockholder's 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 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 Company'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 Company'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 American Financial Securities, 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.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in the supplementary information is presented for the purposes of additional analysis and is not a required part of the 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 supplementary 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 supplementary information is fairly presented all material aspects in relation to the financial statements as a whole.

*CliftonLarsonAllen LLP*

Cedar Rapids, Iowa  
February 26, 2013

**AMERICAN FINANCIAL SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2012**

**ASSETS**

Cash and cash equivalents	\$ 36,277
Commissions receivable	8,588
AFS daily account	690
Prepaid expenses	<u>1,408</u>

**TOTAL ASSETS** **\$ 46,963**

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Commissions payable \$ 4,294

Stockholder's equity:

Common stock, no par value, stated value \$5 per share, 1,000 shares authorized, issued, and outstanding	5,000
Additional paid-in-capital	20,000
Retained earnings	<u>17,669</u>

Total stockholder's equity 42,669

**TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY** **\$ 46,963**

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

**AMERICAN FINANCIAL SECURITIES, INC.**  
**STATEMENT OF INCOME**  
**Years Ended December 31, 2012**

<b>REVENUE</b>		
Commissions received		\$ 249,313
<b>EXPENSES</b>		
Commissions paid	124,657	
Discretionary bonus	60,000	
Professional	11,567	
Management	6,000	
Registration and regulatory	4,526	
Dues and subscriptions	2,251	
Other	<u>1,808</u>	
Total expenses		<u>210,809</u>
<b>NET INCOME</b>		<u>\$ 38,504</u>

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

**AMERICAN FINANCIAL SECURITIES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**Years Ended December 31, 2012**

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>BALANCE, JANUARY 1, 2012</b>	\$ 5,000	\$ 20,000	\$ 9,165	\$ 34,165
Net income	-	-	38,504	38,504
Distributions	-	-	<u>(30,000)</u>	<u>(30,000)</u>
<b>BALANCE, DECEMBER 31, 2012</b>	<u>\$ 5,000</u>	<u>\$ 20,000</u>	<u>\$ 17,669</u>	<u>\$ 42,669</u>

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

**AMERICAN FINANCIAL SECURITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**Years Ended December 31, 2012**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$	38,504
Adjustments to reconcile net income to net cash provided by operating activities:		
Effects of changes in operating assets and liabilities:		
Commissions receivable		(13)
Prepaid expenses		(222)
Other assets		(555)
Commissions payable		<u>6</u>
Net cash provided by operating activities		<b>\$37,720</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Distributions		<u>(30,000)</u>
Net cash used in financing activities		<u>(30,000)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>7,720</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		<u>28,557</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>		<b><u>\$ 36,277</u></b>

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

**AMERICAN FINANCIAL SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Company is a limited broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of various exchanges and the Financial Industry Regulatory Authority (FINRA).

The Company operates under the provisions of Paragraph(k)(1) of rule 15c3-3 of the Securities and Exchange Commission and, accordingly, is exempt from the remaining provisions of that rule. The requirements of Paragraph(k)(1) provide that the Company carries no margin accounts, promptly transmits all customer funds, delivers all customer securities, and does not otherwise hold funds or securities for, or owe money on securities to customers. The Company does not accept money from customers, but rather all customer payments are made directly to the mutual fund into which the customer is investing.

**Use of Estimates in Preparing Financial Statements**

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 could differ from those estimates.

**Cash Equivalents**

For the purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

**Revenue Recognition**

Commissions due from the sale of mutual funds is determined by applying a commission rate, which is determined by the mutual fund company or insurance company, to the face amount of the mutual fund sold.

Commissions due from insurance companies for the placement of insurance policies are recognized as of the date on which (a) the client is afforded protection under the policy, (b) the premium due under the policy can be reasonably estimated, and (c) the premium is billable to the client. A liability to the employee agents for commissions payable related to those policies, if any, is recognized concurrent with the recognition of revenue from the policies.

**Receivables**

Commissions receivable are uncollateralized obligations generated by the sale of mutual funds and insurance products. Each fund company and insurance company has a different timeframe for the payment of the commissions, so there is no set policy for determining when a receivable becomes delinquent. Interest is not accrued on commissions receivable. Management considers all commissions receivable to be collectible.

**AMERICAN FINANCIAL SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allowance for Uncollectible Accounts**

Accounts receivable has been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at year-end.

**Trade Date Basis**

Commission revenue and related expenses are recorded on a trade date basis.

**Income Taxes**

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the stockholders are liable for federal income taxes on their respective shares of the Company's income in their individual income tax returns.

The Company adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10 (previously Financial Interpretation No. 48, Accounting for Uncertainty in Income Taxes), on January 1, 2009. The Company has evaluated for uncertain tax positions and management has determined that there are no uncertain tax positions as of December 31, 2012. The tax returns for the past three years remain open for examination by tax jurisdictions.

**Fixed Assets**

Fixed assets are stated at cost. Depreciation is computed on the straight-line method over a life of five years. All fixed assets are currently fully depreciated.

**NOTE 2 - RELATED PARTY TRANSACTIONS**

The Company occupies office space in offices owned by Black Hawk Properties, which is owned by the principal shareholder of American Financial Securities, Inc. For the year ended December 31, 2012, the Company paid \$6,000 of management fees to Investors Professional Services (IPS), a company owned by substantially the same owner as American Financial Securities, Inc. Included in the management fee is rent for the office space.

**NOTE 3 - RECEIVABLE FROM AND PAYABLE TO BROKER-DEALERS**

Amounts receivable from and payable to broker dealers at December 31, 2012 consist of the following:

	<u>Receivable</u>	<u>Payable</u>
Fees and Commissions	\$ 8,588	\$ 4,294

**AMERICAN FINANCIAL SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 4 - 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 allowable capital of \$40,571, which is in excess of the \$5,000 requirement under Rule 15c3-1. The Company has aggregate indebtedness of \$4,294, which results in a ratio of aggregate indebtedness to net capital of .11 to 1.

**NOTE 5 - FOCUS REPORT**

There are no material differences between these financial statements and the December 31, 2012 financial statements filed with FINRA.

**NOTE 6 - CONCENTRATIONS OF CREDIT RISK**

The Company is engaged in various trading and brokerage activities in which counter-parties primarily include broker-dealers, banks, and other financial institutions. In the event counter-parties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the credit worthiness of the counter-party or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counter-party.

The Company derived approximately 84% of its revenue from 2 mutual fund families during the year ended December 31, 2012.

**NOTE 7 - SUBSEQUENT EVENTS**

Management evaluated subsequent events through February 26, 2013 the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2012, but prior to February 26, 2013 that provide additional evidence about conditions that existed at December 31, 2012, have been recognized in the financial statements for the year ended December 31, 2012.

On January 2, 2013, the Company paid the owner of the Company a \$2,500 distribution. The Company plans to distribute \$2,500 per month through June 2013.

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTARY INFORMATION**

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

<b>TOTAL MEMBER'S EQUITY</b>		<b>\$ 42,669</b>
Nonallowable assets		
AFS daily account	\$ 690	
Prepaid expenses	<u>1,408</u>	
Total nonallowable assets		<u>2,098</u>
<b>NET CAPITAL</b>		<b><u>\$ 40,571</u></b>

**Reconciliation with Company's Computation**  
**(included in Part IIA of Form X-17A-5 as December 31, 2012)**

There were no material differences between this calculation and member's equity and net capital as reported in the Company's Focus Report Part IIA.

**AMERICAN FINANCIAL SECURITIES, INC.**  
**COMPUTATION OF BASIC NET CAPITAL UNDER RULE 15c3-1**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**  
**Years Ended December 31, 2012**

Aggregate Indebtedness

Included in the statement of financial condition:

Accounts payable, accrued expenses and other liabilities \$ 4,294

Computation of Basic Net Capital Requirement

Minimum net capital required (6-2/3% of aggregate indebtedness) \$ 286

Minimum dollar net capital requirement of reporting broker or dealer \$ 5,000

Net capital requirement \$ 5,000

Excess net capital \$ 35,571

Net capital less greater of 10% of aggregate indebtedness  
or 120% of minimum dollar net capital requirement \$ 34,571

Ratio of aggregate indebtedness to net capital .11 to 1

**AMERICAN FINANCIAL SECURITIES, INC.  
COMPUTATION FOR DETERMINATION OF  
RESERVE REQUIREMENTS UNDER RULE 15c3-3  
Years Ended December 31, 2012**

Broker-dealer is exempt from Rule 15c3-3. There were no security transactions during fiscal year 2012.