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

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

| | |
|---|----------------|
| OMB APPROVAL | |
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| 8- 53389 |

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 01/01/13 AND ENDING 12/31/13
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Burnham & Flower Financial, Inc.

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

315 South Kalamazoo Mall

(No. and Street)

Kalamazoo

(City)

MI

(State)

49007

(Zip Code)

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

Amber Howes 269-341-4835

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Siegfried Crandall, P.C.

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

246 East Kilgore Road

(Address)

Kalamazoo

(City)

MI

(State)

49002

(Zip Code)

CHECK ONE:

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



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

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3/14/14

OATH OR AFFIRMATION

I, Amber Howes, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Burnham & Flower Financial, Inc., as of December 31, 2013, 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

Vice President

Title

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.
(o) Independent Auditor's Report on Internal Accounting Controls

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Burnham & Flower Financial, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Burnham & Flower Financial, Inc. (a Michigan corporation), which comprise the statements of financial condition as of December 31, 2013 and 2012, and the related statements of income, changes in stockholders' equity, and cash flows for the years 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 audits. We conducted our audits 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Burnham & Flower Financial, Inc. as of December 31, 2013 and 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2013 financial statements as a whole. The supplementary information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the 2013 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 2013 financial statements. The information in Schedules I and II has been subjected to the auditing procedures applied in the audit of the 2013 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2013 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 in Schedules I and II is fairly stated in all material respects in relation to the 2013 financial statements as a whole.

Siegfried Crandall P.C.

February 24, 2014

FINANCIAL STATEMENTS

Burnham & Flower Financial, Inc.
STATEMENTS OF FINANCIAL CONDITION
December 31, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---|-------------------------|-------------------------|
| ASSETS | | |
| Cash | \$ 22,925 | \$ 29,111 |
| Commissions receivable | 5,054 | 5,603 |
| Prepaid items | 5,898 | 7,252 |
| Deposits | <u>1,751</u> | <u>634</u> |
| TOTAL ASSETS | <u>\$ 35,628</u> | <u>\$ 42,600</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES: | | |
| Commissions payable | <u>\$ 2,087</u> | <u>\$ 2,340</u> |
| STOCKHOLDERS' EQUITY: | | |
| Common stock (no par value, 60,000 shares authorized, 6,000 shares issued and outstanding) | 6,000 | 6,000 |
| Retained earnings | <u>27,541</u> | <u>34,260</u> |
| Total stockholders' equity | <u>33,541</u> | <u>40,260</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$ 35,628</u> | <u>\$ 42,600</u> |

See accompanying notes

Burnham & Flower Financial, Inc.

STATEMENTS OF INCOME

Years ended December 31, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|------------------------------|--------------------------|--------------------------|
| REVENUES: | | |
| Commission income | <u>\$ 524,554</u> | <u>\$ 509,315</u> |
| EXPENSES: | | |
| Commission expense | 30,708 | 49,055 |
| Regulatory fees | 5,920 | 4,215 |
| Insurance | 5,100 | 5,518 |
| Legal and accounting | 4,600 | 3,500 |
| Dues and subscriptions | 3,837 | 4,834 |
| Education and other expenses | <u>1,108</u> | <u>962</u> |
| Total expenses | <u>51,273</u> | <u>68,084</u> |
| NET INCOME | <u><u>\$ 473,281</u></u> | <u><u>\$ 441,231</u></u> |

See accompanying notes

Burnham & Flower Financial, Inc.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2013 and 2012

| | <u>Common stock</u> | | <u>Retained</u> | <u>Total</u> |
|----------------------------|---------------------|-----------------|------------------|---------------------------------------|
| | <u>Shares</u> | <u>Amount</u> | <u>earnings</u> | <u>stockholders'</u> <u>equity</u> |
| Balance, January 1, 2012 | 6,000 | \$ 6,000 | \$ 19,029 | \$ 25,029 |
| Net income | - | - | 441,231 | 441,231 |
| Distributions | - | - | (426,000) | (426,000) |
| Balance, December 31, 2012 | 6,000 | 6,000 | 34,260 | 40,260 |
| Net income | - | - | 473,281 | 473,281 |
| Distributions | - | - | (480,000) | (480,000) |
| Balance, December 31, 2013 | <u>6,000</u> | <u>\$ 6,000</u> | <u>\$ 27,541</u> | <u>\$ 33,541</u> |

See accompanying notes

Burnham & Flower Financial, Inc.**STATEMENTS OF CASH FLOWS**

Years ended December 31, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Commissions and other receipts | \$ 525,103 | \$ 506,876 |
| Payments to vendors and suppliers | <u>(51,289)</u> | <u>(74,994)</u> |
| Net cash provided by operating activities | 473,814 | 431,882 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Distributions to stockholders | <u>(480,000)</u> | <u>(426,000)</u> |
| NET INCREASE (DECREASE) IN CASH | (6,186) | 5,882 |
| CASH - BEGINNING | <u>29,111</u> | <u>23,229</u> |
| CASH - ENDING | <u>\$ 22,925</u> | <u>\$ 29,111</u> |
| | | |
| Reconciliation of net income to net cash provided by operating activities: | | |
| Net income | \$ 473,281 | \$ 441,231 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| (Increase) decrease in: | | |
| Commissions receivable | 549 | (2,439) |
| Prepaid expenses and deposits | 237 | (891) |
| Increase (decrease) in: | | |
| Commissions payable | (253) | 1,581 |
| Accounts payable | <u>-</u> | <u>(7,600)</u> |
| Net cash provided by operating activities | <u>\$ 473,814</u> | <u>\$ 431,882</u> |

See accompanying notes

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Burnham & Flower Financial, Inc. (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) and have been consistently applied in the preparation of the financial statements.

Organization and nature of operations:

The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA). The Company is a Michigan corporation and is a member of a group of entities under common control. The Company receives a significant portion of commission revenue from a revenue sharing arrangement with Harbour Investments, Inc.

Basis of presentation:

These financial statements include all accounts of the Company. The Company is engaged in a single line of business as a broker-dealer.

Commissions:

Commissions and related expenses are recorded on a trade-date basis as securities transactions occur.

Income taxes:

There is no provision for federal income taxes because the Company has made a valid election under Section 1372(a) of the Internal Revenue Code as an S Corporation, whereby corporate income is taxed to its stockholders. Based on a change in state law in May 2011, the Company is not liable for state income taxes after December 31, 2011.

As of December 31, 2013, the Company and its affiliates' federal returns remain open for the last three years, while the state tax returns remain open for the last four years.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - RELATED PARTY TRANSACTIONS AND ECONOMIC DEPENDENCE

The Company's share of certain common general and administrative costs, such as occupancy and personnel support, is borne by other members of the controlled group. Currently, there is no intention to charge such costs to the Company.

Nearly all of the Company's commission revenue is derived from referrals of customers of its related entities, Burnham & Flower Group, Inc. and subsidiaries. The related entities are general insurance agents, providing commercial, personal property and liability, and employee benefit coverage principally to local units of government in Michigan, Indiana, Illinois, and Ohio.

NOTE 3 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC 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, 2013, the Company had net capital of \$20,838, which was \$15,838 in excess of its required net capital of \$5,000. The Company's net capital ratio was .10 to 1. Net capital, as disclosed above, did not differ from the amount shown in Part II of Form X-17A-5.

Burnham & Flower Financial, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - COMMISSION REVENUE

Commission revenue was derived from the following sources:

| | <i>Years ended</i> | |
|--------------------|---------------------|-------------------|
| | <i>December 31,</i> | |
| | <u>2013</u> | <u>2012</u> |
| Group annuities | \$ 204,427 | \$ 239,586 |
| Variable annuities | 153,139 | 131,175 |
| Fixed annuities | 85,841 | 59,490 |
| Mutual funds | 80,357 | 77,721 |
| Other | <u>790</u> | <u>1,343</u> |
| | <u>\$ 524,554</u> | <u>\$ 509,315</u> |

NOTE 5 - ANTICIPATED CAPITAL DISTRIBUTIONS

The Company expects to make capital distributions before June 30, 2013, of \$8,000.

SUPPLEMENTARY INFORMATION

**SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION**

| | |
|--|------------------|
| NET CAPITAL | |
| Total stockholders' equity qualified for net capital | \$33,541 |
| Deductions and/or charges: | |
| Non-allowable assets: | |
| Commissions receivable | (5,054) |
| Prepaid expenses and deposits | <u>(7,649)</u> |
| Net capital | <u>\$ 20,838</u> |
| AGGREGATE INDEBTEDNESS | |
| Commissions payable | <u>\$ 2,087</u> |
| COMPUTATION OF BASIC NET CAPITAL REQUIREMENT | |
| Minimum capital required (6-2/3% of aggregate indebtedness) | <u>\$ 139</u> |
| Excess net capital (Net capital, less minimum dollar net capital requirement of \$5,000) | <u>\$ 15,838</u> |
| Excess net capital at 1,000 percent (Net capital, less 10% of aggregate indebtedness) | <u>\$ 20,629</u> |
| Ratio: Aggregate indebtedness to net capital | <u>0.10 to 1</u> |

SCHEDULE II - RECONCILIATION WITH COMPANY'S COMPUTATION (included in Part II of Form X-17A-5)

There are no material differences between the preceding computation and the Company's corresponding unaudited Part II of Form X-17A-5 as of December 31, 2013.

The Company has not made an election to compute the alternative net capital requirement.

REPORT ON INTERNAL CONTROL

Board of Directors
Burnham & Flower Financial, Inc.

In planning and performing our audit of the financial statements of Burnham & Flower Financial, Inc. (the Company), as of and for the year ended December 31, 2013, 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 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 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 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 quarterly securities examinations, counts, verifications, and 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

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 the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in 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 and correct, 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, 2013, to meet the SEC's objectives.

In addition, we noted other matters involving internal control and its operation that we have communicated to management of Burnham and Flower Financial, Inc. in a separate letter dated February 24, 2014.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, 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.

Siegfried Crandall P.C.

February 24, 2014