

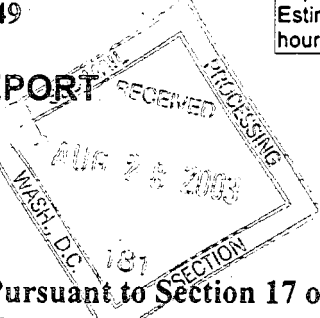
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

UF 8-29-03  
OMB APPROVAL  
OMB Number: 3235-0123  
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**



SEC FILE NUMBER  
8-44710

**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: July 1, 2002 AND ENDING June 30, 2003  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: CFM Securities, Inc. Signature 

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.) Title  
1035 37<sup>th</sup> Avenue Court  
(No. and Street)  
Greeley CO 80634  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Gary Premer (970) 352-8440  
(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Anderson & Whitney, P.C.  
(Name — if individual, state last, first, middle name)  
5801 West 11<sup>th</sup> Street, Suite 300 Greeley CO 80634-4813  
(Address) (City) (State) (Zip Code)

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

PROCESSED  
SEP 10 2003  
THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

Handwritten initials and marks

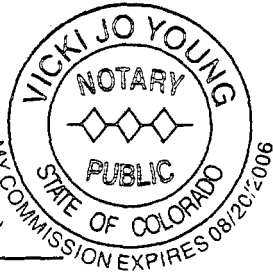
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

I, Gary Premer, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CFM Securities, Inc., as of June 30, 2003, 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

Subscribed and sworn to before me this 27 day of Aug, 2003 in the county of 2003, state of Colorado.



[Signature]  
Signature

[Signature]  
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~~. Cash Flows
- (e) Statement of Changes in Stockholders' Equity of Partners' or Sole Proprietor's 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 Reserve Requirements Under 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.

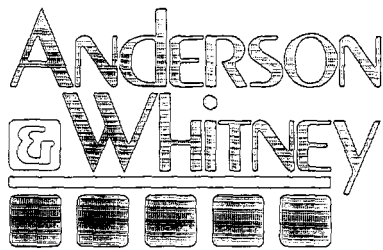
\*\* For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

## TABLE OF CONTENTS

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Independent Auditors' Report .....	3
STATEMENTS OF FINANCIAL CONDITION .....	4
STATEMENTS OF INCOME .....	5
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY .....	6
STATEMENTS OF CASH FLOWS .....	7
NOTES TO FINANCIAL STATEMENTS .....	8
SUPPLEMENTARY INFORMATION:	
Independent Auditors' Report on Internal Control Structure .....	11
Computation of Net Capital Pursuant to Rule 15c3-1 - Audited .....	13
Reconciliation of Audited and Unaudited Computation of Net Capital Pursuant to Rule 15c3-1 .....	15

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A Professional Corporation of  
Certified Public Accountants

Independent Auditors' Report

To the Stockholder  
CFM Securities, Inc.  
Greeley, Colorado

We have audited the accompanying statements of financial condition of CFM Securities, Inc. as of June 30, 2003 and 2002 and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CFM Securities Inc. as of June 30, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information section, presented for the purposes of additional analysis, is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson & Whitney, P.C.*

July 16, 2003

# CFM SECURITIES, INC.

## STATEMENTS OF FINANCIAL CONDITION

June 30	2003	2002
<u>ASSETS</u>		
Cash and Cash equivalents	\$ 2,098	\$ 1,113
Certificate of Deposit	7,617	7,702
Receivable from Parent Company	61,330	65,762
<b>TOTAL ASSETS</b>	<b>\$ 71,045</b>	<b>\$ 74,577</b>
<u>LIABILITIES</u>		
Income Taxes Payable	\$ -	\$ 1,664
Contractual commitment	38	-
<b>Total Liabilities</b>	<b>38</b>	<b>1,664</b>
<u>STOCKHOLDER'S EQUITY</u>		
Common Stock, par value 1 cent per share; authorized 50,000 shares, issued and outstanding, 1,000 shares	10	10
Additional Paid-In Capital	5,090	5,090
Retained Earnings	65,907	67,813
<b>Total Stockholder's Equity</b>	<b>71,007</b>	<b>72,913</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>\$ 71,045</b>	<b>\$ 74,577</b>

See Accompanying Notes to Financial Statements.

# CFM SECURITIES, INC.

## STATEMENTS OF INCOME

Years Ended June 30	2003	2002
Revenue:		
Commissions	\$ 177,458	\$ 187,112
Interest	195	346
<b>Total Revenues</b>	<b>177,653</b>	<b>187,458</b>
Expenses:		
Service expenses	-	159,501
Commissions	33,755	19,217
Personnel expenses	95,637	-
Administrative expenses	50,167	-
<b>Total Expenses</b>	<b>179,559</b>	<b>178,718</b>
Income (Loss) Before Income Taxes	(1,906)	8,740
Income Taxes	-	1,664
<b>Net Income (Loss)</b>	<b>\$ (1,906)</b>	<b>\$ 7,076</b>

See Accompanying Notes to Financial Statements.

# CFM SECURITIES, INC.

## STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

<u>Years Ended June 30, 2002 and 2003</u>	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, July 1, 2001	\$ 10	\$ 5,090	\$ 60,737	\$ 65,837
Net income for the year ended June 30, 2002	-	-	7,076	7,076
Balance, June 30, 2002	10	5,090	67,813	72,913
Net loss for the year ended June 30, 2003	-	-	(1,906)	(1,906)
Balance, June 30, 2003	\$ 10	\$ 5,090	\$ 65,907	\$ 71,007

See Accompanying Notes to Financial Statements.

# CFM SECURITIES, INC.

## STATEMENTS OF CASH FLOWS

Years Ended June 30	2003	2002
<b>Cash Flows from Operating Activities:</b>		
Commissions received from brokers and dealers	\$ 177,458	\$ 187,112
Cash paid for service fees and other expenses	(175,127)	(186,280)
Interest received	105	144
Income taxes paid	(1,664)	(1,587)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>772</b>	<b>(611)</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of certificates of deposit	(7,500)	(7,500)
Redemption of certificates of deposit	7,713	8,255
<b>Net Cash Provided by Investing Activities</b>	<b>213</b>	<b>755</b>
<b>Cash Flows from Financing Activities:</b>		
	-	-
<b>Net Increase (Decrease) in Cash</b>	<b>985</b>	<b>144</b>
Cash and Cash Equivalents, Beginning of Year	1,113	969
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 2,098</b>	<b>\$ 1,113</b>

### Reconciliation of Net Income to Net Cash Provided (Used)

<b>by Operating Activities:</b>		
Net income (loss)	\$ (1,906)	\$ 7,076
Interest added to certificate of deposit	(128)	(202)
<b>Changes in assets and liabilities:</b>		
<b>(Increase) decrease in:</b>		
Receivables from parent company	4,432	(7,562)
<b>Increase (decrease) in:</b>		
Income taxes payable	(1,664)	77
Contractual commitment	38	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 772</b>	<b>\$ (611)</b>

See Accompanying Notes to Financial Statements.



# CFM SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - Summary of Significant Accounting Policies:

The accounting and reporting policies of CFM Securities, Inc. (the Company), conform to accounting principles generally accepted in the United States. The following summary of significant accounting policies is presented to assist the reader in evaluating the Company's financial statements.

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#### Description of Business:

The Company was organized in March 1992 and is in the business of selling securities for a commission. The Company is a wholly-owned subsidiary of Colorado Financial Management, Inc., a Colorado corporation engaged in the financial planning business. The Company is a dealer in mutual funds and variable annuities only and promptly transmits all funds and delivers all securities received in connection with its activities and does not hold funds or securities for, or owe money or securities to, customers. Customers will make their investments directly payable to the appropriate registered investment companies or insurance companies.

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#### Cash and Cash Equivalents:

For purposes of the statements of cash flows, cash equivalents include bank accounts with original maturities of three months or less.

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#### Revenue Recognition:

Customers' securities transactions with related commission income and expenses are recorded on a trade date basis.

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#### Income Taxes:

For income tax purposes, the Company files a consolidated income tax return with its parent. These financial statements reflect income taxes on its share of consolidated taxable income.

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#### Use of Estimates:

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 reported revenue and expenses. Accordingly, actual results could differ from estimates.

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# CFM SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2 - Related Party Transactions:

The Company has a service agreement with its parent company whereby the parent company provides managerial and clerical support for the Company. Under the agreement, the Company pays an allocation of the parent company's administrative costs and reimburses the parent company for direct costs paid on behalf of the Company, including office space, supplies, and other expenses of the securities business. Total allocated costs and reimbursed expenses paid to the parent company were \$145,804 and \$159,501 for the years ended June 30, 2003 and 2002, respectively.

At June 30, 2003 and 2002, there was \$61,330 and \$65,762, respectively, due from the parent company. This balance is noninterest bearing and payable on demand.

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### NOTE 3 - Certificate of Deposit:

The certificate, issued in 2002, bears interest at 3.1% and matures in October 2003. Penalties are charged for early withdrawal.

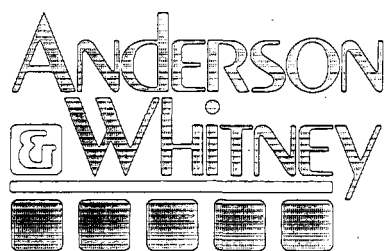
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### NOTE 4 - Net Capital Requirements:

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1(a)(3)) that requires the maintenance of \$5,000 in minimum net capital. Net capital may fluctuate on a daily basis. At June 30, 2003 and 2002, the Company had net capital of \$9,639 and \$7,151, respectively.

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**SUPPLEMENTARY INFORMATION**



A Professional Corporation of  
Certified Public Accountants

### Independent Auditors' Report on Internal Control Structure

To the Stockholder  
CFM Securities, Inc.  
Greeley, Colorado

In planning and performing our audits of the financial statements of CFM Securities, Inc. for the years ended June 30, 2003 and 2002, we considered its internal control structure. This consideration was done in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

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 (including tests of compliance with such practices and procedures) followed by the Company that we considered relevant to the objectives stated in rule 17a-5(g). These objectives address making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, or in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure 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 internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph. In addition, management must assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure 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. In addition, 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.

To the Stockholder  
CFM Securities, Inc.  
Page 2

Because of inherent limitations in any internal controls or the practices and procedures referred to above, errors or irregularities 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.

Our consideration of internal controls would not necessarily disclose all matters that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of specific internal controls does not reduce to a relatively low level the risk that material errors or irregularities may occur and not be detected within a timely period by employees performing their assigned functions. However, we noted no matters involving internal controls that we consider to be material weaknesses as defined above.

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. Those 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 June 30, 2003 and 2002.

This report is intended solely for the information of management, the Securities and Exchange Commission, the National Association of Securities Dealers, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and is not intended to be used by anyone other than these specified parties.

*Anderson & Whitney, P.C.*

July 16, 2003

**FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER** CFM Securities, Inc.

as of June 30, 2003

**COMPUTATION OF NET CAPITAL**

1. Total ownership equity from Statement of Financial Condition .....	\$	71,007	3480
2. Deduct ownership equity not allowable for Net Capital .....		19 (	3490
3. Total ownership equity qualified for Net Capital .....		71,007	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 .....	\$	71,007	3530
6. Deductions and/or charges:		17	
A. Total non-allowable assets from Statement of Financial Condition (Notes B and C) .....	\$	61,330	3540
B. Secured demand note deficiency .....			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) .....			3630
8. Net capital before haircuts on securities positions .....	\$	9,677	3640
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)):			
A. Contractual securities commitments .....	\$	38	3660
B. Subordinated securities borrowings .....			3670
C. Trading and investment securities:			
1. Exempted securities .....		19	3735
2. Debt securities .....			3733
3. Options .....			3730
4. Other securities .....			3734
D. Undue Concentration .....			3650
E. Other (List) .....			3736 (
10. Net Capital .....	\$	9,639	3750

OMIT PENNIES

Nonallowable assets (line 3540):  
Receivable from parent company

\$ 61,330

**Explanatory Note:**

The Computation for Determination of the Reserve Requirements under Exhibit A of Rule 15c3-3 was not included as the Company is exempt from such under provisions of Rule 15c3-3.

**FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER** CFM Securities, Inc.

as of June 30, 2003

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

**Part A**

11. Minimum net capital required (6-2/3% of line 19) .....	\$	3	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) .....	\$	4,639	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19) .....	\$	9,635	3780

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

16. Total A.1. liabilities from Statement of Financial Condition .....	\$	38	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	\$ —
19. Total aggregate indebtedness .....	\$	38	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10) .....	%	.39	3650
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) .....	%		3860

**COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT**

**Part B**

22. 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	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	N/A	3880
24. Net capital requirement (greater of line 22 or 23) .....	\$	N/A	3760
25. Excess net capital (line 10 less 24) .....	\$	N/A	3910
26. Net capital in excess of:			
26. 5% of combined aggregate debit items or \$120,000 .....	\$	N/A	3920

OMIT PENNIES

**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. 6-2/3% of aggregate indebtedness or 2% 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.

**CFM SECURITIES, INC.**

**Reconciliation of Audited and Unaudited  
Computation of Net Capital Pursuant to Rule 15c3-1**

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June 30, 2003

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No differences exist between the net capital as reported in the Company's Part IIA (Unaudited) Focus Report and the net capital as reported in the accompanying audited financial statements.

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