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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20540

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

SEC FILE NUMBER
8- 49337

**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 April 1, 2002 AND ENDING March 31, 2003
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: CPS FINANCIAL & INSURANCE SERVICES, INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

9 Corporate Park Drive, Suite 100

(No. and Street)

Irvine,

California

92606

(City)

(State)

(Zip Code)

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

Lisa Knoles

800-326-5433 x108

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

George Brenner, CPA A Professional Corporation

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

10680 W. Pico Boulevard, Suite 260

Los Angeles, California

90064

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED
JUN 17 2003
THOMSON FINANCIAL

SEC MAIL RECEIVED
JUN 06 2003
WASH. DC 152 SECTION

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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)

OATH OR AFFIRMATION

I, Lisa Knoles, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CPS Financial & Insurance Services, Inc., as of March 31, 2002, 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



Tracy L. Strichart
Notary Public

Lisa Knoles
Signature
CFO / FINOP
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 15c3-3 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.
(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).

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

ANNUAL AUDIT REPORT

DATE - MARCH 31, 2003

CPS FINANCIAL & INSURANCE SERVICES, INC.
9 Corporate Park Drive, Ste. 100
Irvine, CA 92606



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George Brenner, CPA
A Professional Corporation
10680 W. PICO BOULEVARD, SUITE 260
LOS ANGELES, CALIFORNIA 90064
310/202-6445 – Fax 310/202-6494

REPORT OF INDEPENDENT ACCOUNTANT

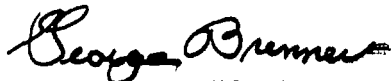
Board of Directors
CPS Financial & Insurance Services, Inc.
Irvine, California

I have audited the accompanying statement of financial condition of CPS Financial & Insurance Services, Inc. (the Company) as of March 31, 2003 and related statements of operations, changes in shareholder's equity and cash flows and for the year then ended. These financial statements are being filed pursuant to Rule 17a-5 of the Securities Exchange Act of 1934 and include the supplemental schedule of the net capital computation required by rule 15c3-1. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, such financial statements referred to above present fairly, in all material respects, the financial condition of the Company as of March 31, 2003 and the results of its operations, changes in shareholder's equity and cash flows and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

George Brenner, CPA



Los Angeles, California
May 8, 2003

CPS FINANCIAL & INSURANCE SERVICES, INC.
STATEMENT OF FINANCIAL CONDITION
MARCH 31, 2003

ASSETS

Cash	
Checking	\$ 6,772
Money Market	23,351
	30,123
Securities at Market Value	6,629
Accounts receivable	3,605
Property and equipment net of depreciation of \$942	1,865
Organization costs, net of amortization of \$5,124	2,191
NASD warrants	20,100
Income tax refund	2,332
	\$ 66,845
TOTAL ASSETS	

LIABILITIES AND SHAREHOLDER'S DEFICIENCY

LIABILITIES

Accounts payable - due parent company	\$ 0
Accrued liabilities - interest	3,167
Accrued Income Taxes	0
	3,167
TOTAL LIABILITIES	

Subordinated loans payable	40,000
	40,000

SHAREHOLDER'S EQUITY

Common stock (\$1 par value, 100,000 shares authorized and issued; 6000 shares outstanding)	6,000
Contributed Capital	1,000
Retained earnings	16,678
	23,678
TOTAL SHAREHOLDER'S EQUITY	

TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 66,845
	66,845

See Accompanying Notes to Financial Statements

CPS FINANCIAL & INSURANCE SERVICES, INC.
STATEMENT OF INCOME (LOSS)
FOR THE YEAR ENDED MARCH 31, 2003

REVENUES

Commissions	\$ 169,128
Mark to Market - Securities	(3,667)
Other	41,568
Interest	<u>352</u>
 TOTAL REVENUES	 <u>\$ 207,381</u>

EXPENSES

Management charges	\$ 149,600
Depreciation and amortization	893
Dues and subscriptions	250
Commission expense	16,910
Interest expense	2,083
Professional services	2,276
Rent	6,000
Seminars	1,314
Licenses and permits	14,012
Telephone	2,400
All other	<u>1,058</u>
 TOTAL OPERATING EXPENSES	 <u>196,796</u>
 (INCOME) BEFORE TAX PROVISION	 10,585
 (INCOME TAX PROVISION) BENEFIT	 <u>2,268</u>
 NET INCOME (LOSS)	 <u>\$ 8,317</u>

See Accompanying Notes to Financial Statements

CPS FINANCIAL & INSURANCE SERVICES, INC.
 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE YEAR ENDED MARCH 31, 2003

	Common Stock Shares	Common Stock	Paid-In Capital	Retained Earnings	Total Equity
Balance, March 31, 2002	6,000	\$ 6,000	\$ 1,000	\$ 8,361	\$ 15,361
Net Income (Loss)				8,317	8,317
Balance, March 31, 2003	6,000	\$ 6,000	\$ 1,000	\$ 16,678	\$ 23,678

See Accompanying Notes to Financial Statements

CPS FINANCIAL & INSURANCE SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2003

Cash Flows from Operating Activities:	
Net income (loss)	\$ 8,317
Depreciation and amortization	893
Unrealized depreciation	3,637
Changes in operating assets and liabilities:	
Accounts receivable	(141)
Income tax refund	(2,332)
Accounts payable - due parent company	(57,500)
Accrued liabilities - interest	(916)
	(48,042)
Net cash provided (used) in operating activities	
	0
Cash Flows from Investing Activities:	
	0
Cash Flows from Financing Activities:	
Subordinated loans	(20,000)
	(20,000)
Net increase (decrease) in cash	
	(68,042)
Cash at beginning of year	
	98,165
Cash at end of year	
	\$ 30,123

SUPPLEMENTAL INFORMATION

Interest paid	\$ 2,999
Income taxes paid	\$ 800

See Accompanying Notes to Financial Statements

CPS FINANCIAL & INSURANCE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

NOTE 1 - NATURE OF BUSINESS

CPS Financial & Insurance Services, Inc. (the Company), a wholly owned subsidiary of CPS Insurance Services, is a wholesaler of variable insurance products to other NASD Regulation member broker/dealers registered with the Securities and Exchange Commission under SEC Rule 15c3-3(a)(2)(vi). The Company was incorporated in the state of California on April 1, 1996 under the name CPS Financial Services, Inc. On October 9, 1997, the Company changed its name to CPS Financial & Insurance Services, Inc.

On May 21, 1997 the Company was approved for membership by the National Association of Securities Dealers subject to the execution of the restriction agreement. The Company will only act as a wholesaler of variable insurance products to other NASD Regulation member broker/dealers. The Company does not hold customers' funds or securities. As a result, the Company is exempt from certain provisions and requirements of the Securities Exchange Commission.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, Equipment and Depreciation - Property and equipment are carried at cost. Depreciation is calculated on the straight-line method over estimated economic lives which are generally five years.

Organization Costs - Organization costs are carried at cost and are amortized over five 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 the reported amounts of assets and liabilities and disclosure 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.

CPS FINANCIAL & INSURANCE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income taxes - Income taxes are provided based on earnings reported for financial statement purposes. In accordance with FASB Statement No. 109, the asset and liability method requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between tax basis and financial reporting basis of assets and liabilities. The income tax provision benefit is comprised as follows:

State	800
Federal	<u>1,468</u>
	<u>\$ 2,268</u>

NOTE 3 - SUBORDINATED LOANS PAYABLE

The \$40,000 unsecured subordinated loans payable are due to the corporate shareholder (Parent Company) on May 30, 2004 and November 30, 2004 in notes of \$20,00 each with interest at 5% per annum (see page 11). Appendix D of SEC Rule 15c3-1 requires the prior written approval of the NASD before any prepayment of the subordinated agreement can be made.

NOTE 4 - NET CAPITAL REQUIREMENTS

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum net capital (\$5,000) or 6 2/3% of aggregate indebtedness whichever is greater as defined under such provisions. See page 8 for the computation of net capital.

NOTE 5 - RELATED PARTY

The Company's parent incurred and paid \$158,000 of the Company's expenses, principally management charges of \$149,600.

CPS FINANCIAL & INSURANCE SERVICES, INC.
 COMPUTATION OF NET CAPITAL REQUIREMENTS PURSUANT
 TO RULE 15c3-1
 MARCH 31, 2003

COMPUTATION OF NET CAPITAL

Total ownership equity from statement of financial condition	\$	23,678
Add allowable subordinated debt		40,000
Nonallowable assets - schedule attached		(30,093)
Haircuts - schedule attached		(982)

NET CAPITAL	\$	32,603
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COMPUTATION OF NET CAPITAL REQUIREMENTS

Minimum net aggregate indebtedness - 6.66% of net aggregate indebtedness	\$	211
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Minimum dollar net capital required	\$	5,000
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Net Capital required (greater of above amounts)	\$	5,000
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EXCESS CAPITAL	\$	27,603
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Excess net capital at 1000% (net capital less 10% of aggregate indebtedness)	\$	32,286
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COMPUTATION OF AGGREGATE INDEBTEDNESS

Total liabilities net of subordinated loans	\$	3,167
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Percentage of aggregate indebtedness to net capital		10%
---	--	-----

The following is a reconciliation of the above net capital computation with the Company's corresponding unaudited computation pursuant to Rule 179-5(d)(4):

NET CAPITAL PER COMPANY'S COMPUTATION
 NONE REQUIRED

See Accompanying Notes to Financial Statements

CPS FINANCIAL & INSURANCE SERVICES, INC.
NON-ALLOWABLE ASSETS
MARCH 31, 2003

NON-ALLOWABLE ASSETS

Accounts receivable	\$ 3,605
Furniture and equipment, NET	1,865
Organization costs, NET	2,191
NASD warrants	20,100
Income tax refund	2,332
	<u>\$ 30,093</u>

See Accompanying Notes to Financial Statements

CPS FINANCIAL & INSURANCE SERVICES, INC.
HAIRCUT CALCULATION
AS OF 3/31/03

Schwab Money Market Fund	\$ 31	2%	\$ 1.00
Total Stocks @ Market Value	<u>6,598</u>	15%	<u>981.00</u>
	<u>\$ 6,629</u>		
Total Haircut			<u>\$982.00</u>

See Accompanying Notes to Financial Statements

CPS FINANCIAL & INSURANCE SERVICES, INC.
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
PURSUANT TO RULE 15c3-3
AS OF MARCH 31, 2003

The Company does not carry customer accounts nor does it hold customer securities or cash.

A computation of reserve requirement is not applicable as the Company qualifies for exemption under Rule 15c3-3.

See Accompanying Notes to Financial Statements

CPS FINANCIAL & INSURANCE SERVICES, INC.
 STATEMENT OF CHANGES IN LIABILITIES
 SUBORDINATED TO CLAIMS OF CREDITORS
 MARCH 31, 2003

	Beginning of Year	Additions	Reductions	End of Year
CPS Insurance Services, Inc. dated November 30, 2001 due November 30, 2004 interest at 5%	20,000	0		20,000
CPS Insurance Services, Inc. dated May 31, 2001 due May 30, 2004 interest at 5%	20,000	0		20,000
FH & Company Insurance Marketing dated April 22, 1999 due April 30, 2002 Interest at 5%	<u>20,000</u>	<u>0</u>	<u>20,000</u>	<u>0</u>
Total	<u>\$60,000</u>	<u>0</u>	<u>\$20,000</u>	<u>\$ 40,000</u>

See Accompanying Notes to Financial Statements

PART II

CPS FINANCIAL & INSURANCE SERVICES, INC.

STATEMENT OF INTERNAL CONTROL

MARCH 31, 2003

George Brenner, CPA
A Professional Corporation
10680 W. PICO BOULEVARD, SUITE 260
LOS ANGELES, CALIFORNIA 90064
310/202-6445 – Fax 310/202-6494

Report of Independent Accountant
on Internal Accounting Control Required by SEC Rule 17a-5

Board of Directors
CPS Financial & Insurance Services, Inc.
Irvine, California

In planning and performing my audit of the financial statements of CPS Financial & Insurance Services, Inc. (hereafter referred to as the "Company") for the year ended March 31, 2003. I have considered its internal control structure, including procedures for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my 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, I have made a study of the practice and procedures (including tests of compliance with such practices and procedures) followed by the Company that I considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (aggregate debts) and net capital under Rule 17a-5(a)(11) and for determining compliance with the exemptive provisions of Rule 15c-3. I did not review the practice and procedures followed by the Company: (1) in making the quarterly securities examinations, counts, verifications, and comparisons, and recordation of differences required by Rule 17a-13; (2) in complying with the Governors of Federal Reserve System; or (3) in obtaining and managing physical possession or control of all fully paid and excess margin securities of customers, 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 structures 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 practice 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 an internal control structure and the practices and procedures are to provide responsibility and safeguard 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 accordance with generally accepted accounting principles.

Board of Directors
CPS Financial & Insurance Services, Inc.
Irvine, California

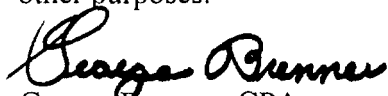
Rule 171-5(g) lists additional objectives of the practice and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure 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 degree of compliance with them may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weakness under the standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk the errors or irregularities in amounts that would be material in relationship to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving the accounting system and control procedures that I considered to be material weaknesses as defined above. In addition, the Company, was in compliance with the exemptive provisions of Rule 15c3-3 as of March 31, 2003 and no facts came to my attention indicating that such conditions had not been complied with during the year then ended.

I understand that the 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 my study, I believe that the Company's practices and procedures were adequate on March 31, 2003 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., and other regulatory agencies which rely on Regulation 17a-5(g) under the Securities Exchange Act of 1934, and should not be used for any other purposes.



George Brenner, CPA
Los Angeles, California
May 8, 2003