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

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**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 05/01/09 (MM/DD/YY) AND ENDING 04/30/10 (MM/DD/YY)

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Centaurus Financial, Inc.

OFFICIAL USE ONLY

FIRM I.D. NO.

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

2300 E. Katella Avenue, Suite 200

(No. and Street)

| Anaheim, | California | 92806 |
|---|---|---|
| (City) | (State) | (Zip Code) |

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

Westley King, President (714) 456-1790

(Area Code – Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

LaVine & Associates CPAs, Inc.

(Name – *if individual, state last, first, middle name*)

| 26691 Plaza Drive, Suite 222, | Mission Viejo, | CA | 92691 |
|---|---|---|---|
| (Address) | (City) | (State) | (Zip Code) |

**CHECK ONE:**

- [x] 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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# OATH OR AFFIRMATION

I, Westley King, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Centaurus Financial, Inc., as of April 30, 2010, 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:

SCOTT PETERS
Commission # 1800340
Notary Public - California
Orange County
My Comm Expires Jun 3, 2012

Signature

Westley King, President

Title

Notary Public

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

- [x] (a) Facing Page.
- [x] (b) Statement of Financial Condition.
- [x] (c) Statement of Income (Loss).
- [x] (d) Statement of Changes in Financial Condition.
- [x] (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- [ ] (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- [x] (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.
- [x] (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- [x] (l) An Oath or Affirmation.
- [x] (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

APRIL 30, 2010

<u>CENTAURUS FINANCIAL, INC.</u>

2300 E. Katella Ave, Suite 200
Anaheim, California 92806

Mr. J. Ronald King
CENTAURUS FINANCIAL, INC.
2300 E. Katella Ave, Suite 200
Anaheim, California 92806

## CENTAURUS FINANCIAL, INC.

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LaVine
& Associates
Certified Public Accountants, Inc.

# REPORT OF INDEPENDENT PUBLIC ACCOUNTANT

Board of Directors
Centaurus Financial, Inc.
Anaheim, California

We have audited the accompanying balance sheets of Centaurus Financial, Inc. as of April 30, 2010 and 2009 and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. 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 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 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 Centaurus Financial, Inc. as of April 30, 2010 and 2009, 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 of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities Exchange Act of 1934. 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.

LaVine & Associates CPAs, Inc.

Mission Viejo, California
June 28, 2010

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www.lavine-cpas.com

**CENTAURUS FINANCIAL, INC.**
Balance Sheets
April 30, 2010 and 2009

ASSETS

| | 2010 | 2009 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash | $ 9,191,846 | $ 7,426,505 |
| Accounts receivable - Note 1 | 2,541,406 | 2,056,293 |
| Marketable securities - Notes 2 and 3 | - | 1,232,532 |
| Prepaid expenses and other assets | 2,360,352 | 2,175,798 |
| Due from affiliates | 381,234 | 313,409 |
| TOTAL CURRENT ASSETS | 14,474,838 | 13,204,537 |
| FIXED ASSETS - at cost - net of accumulated depreciation of $414,154 and $336,443 in 2010 and 2009 - Notes 1 and 4 | 265,685 | 337,869 |
| TOTAL ASSETS | $ 14,740,523 | $ 13,542,406 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | 2010 | 2009 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Commissions payable | $ 4,448,286 | $ 3,166,387 |
| Accounts payable and other liabilities | 4,390,396 | 4,042,094 |
| TOTAL LIABILITIES - all current | 8,838,682 | 7,208,481 |
| COMMITMENTS AND CONTINGENCIES - Note 6 | | |
| STOCKHOLDERS' EQUITY | | |
| Capital Stock - 10,000,000 shares authorized, 135,480 shares issued and outstanding | 544,861 | 544,861 |
| Retained earnings | 5,356,980 | 5,789,064 |
| TOTAL STOCKHOLDERS' EQUITY | 5,901,841 | 6,333,925 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 14,740,523 | $ 13,542,406 |

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

**CENTAURUS FINANCIAL, INC.**
Statements of Operations
For The Years Ended April 30, 2010 and 2009

| | 2010 | 2009 |
|---|---|---|
| REVENUES | | |
| Commission income | $ 64,987,913 | $ 66,911,080 |
| Interest | 60,936 | 89,150 |
| Other income | 3,105,853 | 3,232,397 |
| TOTAL REVENUES | 68,154,702 | 70,232,627 |
| EXPENSES | | |
| Commission expense | 57,771,768 | 59,867,656 |
| Salaries | 4,878,159 | 4,376,018 |
| Depreciation | 77,711 | 72,185 |
| Other operating expenses | 3,818,042 | 3,912,603 |
| TOTAL EXPENSES | 66,545,680 | 68,228,462 |
| INCOME FROM OPERATIONS BEFORE PROVISION FOR INCOME TAXES | 1,609,022 | 2,004,165 |
| PROVISION FOR INCOME TAXES - Note 7 | | |
| Current | 688,276 | 936,502 |
| Deferred | (47,170) | 10,513 |
| TOTAL PROVISION FOR INCOME TAXES | 641,106 | 947,015 |
| NET INCOME | $ 967,916 | $ 1,057,150 |

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

**CENTAURUS FINANCIAL, INC.**
Statements of Changes in Stockholders' Equity
For The Years Ended April 30, 2010 and 2009

| | Common Stock | Retained Earnings | Total Stockholders' Equity |
|---|---|---|---|
| Balance - April 30, 2008 | $ 544,861 | $ 5,481,614 | $ 6,026,475 |
| Net Income | | 1,057,150 | 1,057,150 |
| Dividends | - | (749,700) | (749,700) |
| Balance - April 30, 2009 | $ 544,861 | $ 5,789,064 | $ 6,333,925 |
| Net Income | - | 967,916 | 967,916 |
| Dividends | - | (1,400,000) | (1,400,000) |
| Balance - April 30, 2010 | $ 544,861 | $ 5,356,980 | $ 5,901,841 |

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

**CENTAURUS FINANCIAL, INC.**
Statements of Cash Flows
For The Years Ended April 30, 2010 and 2009

| | 2010 | 2009 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | $ 967,916 | $ 1,057,150 |
| Adjustments to reconcile net income to net cash used by operating activities: | | |
| Depreciation | 77,711 | 72,185 |
| Removal of abandoned assets | - | 35,679 |
| Unrealized loss and sale of marketable securities | - | 387,219 |
| Changes in assets and liabilities: | | |
| Increase in accounts receivable | (485,113) | (24,220) |
| Increase in prepaid expenses and other assets | (252,379) | (641,688) |
| Increase (Decrease) in accounts payable and other liabilities | 348,302 | (663,213) |
| Increase (Decrease) in commissions payable | 1,281,899 | (176,409) |
| Decrease in income taxes payable | - | (693,354) |
| Net cash provided (consumed) by operating activities | 1,938,336 | (646,651) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (5,527) | (317,922) |
| Sale (Purchase) of marketable securities | 1,232,532 | (100,000) |
| Net cash provided (consumed) by investing activities | 1,227,005 | (417,922) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment of dividends | (1,400,000) | (749,700) |
| Net cash consumed by financing activities | (1,400,000) | (749,700) |
| Net increase (decrease) in cash | 1,765,341 | (1,814,273) |
| CASH BALANCE - beginning | 7,426,505 | 9,240,778 |
| CASH BALANCE - ending | $ 9,191,846 | $ 7,426,505 |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | $ - | $ - |
| Income taxes paid | $ 936,502 | $ 1,011,472 |

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

## THE COMPANY

Centaurus Financial, Inc., "the Company", is a registered securities broker-dealer and is a subsidiary of Federation of Financial Services, Inc. The Company sells financial products, primarily mutual funds and insurance, through independent registered representatives. The Company is registered to do business throughout the United States.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and practices of the Company are as follows:

Accounting method - the Company uses the accrual method of accounting for both financial statement reporting and income tax return preparation.

Recognition of sales and income - securities transactions are recorded on a settlement basis, generally the third business day following the transaction date.

Fixed assets - fixed assets are stated at cost. Repairs and maintenance expenditures which do not extend the useful life of the assets owned are expensed as incurred. Depreciation is computed using both straight-line and accelerated methods, based upon the estimated useful lives of the assets ranging from three to five years.

Income taxes – the Company and its subsidiaries are included in the consolidated federal and state return filed by the Parent. Federal and state income taxes are calculated as if the Company filed on a separate return basis. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the change in deferred tax liabilities or assets between years. The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, Income Taxes. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

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 - MARKETABLE SECURITIES

The Company has marketable securities held at a brokerage firm as of April 30, 2009. The securities are classified as available for sale and are recorded at fair value in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures* (See Note 3). Net realized and unrealized losses in the amount of $390,982 have been recorded in the statements of operations for the years ended April 30, 2009. During the year ended April 30, 2010, all securities were sold.

## NOTE 3 - FAIR VALUE MEASUREMENT

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.)

As of April 30, 2009, the marketable securities held by the Company were Level 1.

**NOTE 4 - FIXED ASSETS**

Fixed assets are stated at cost and as of April 30, 2010 and 2009 consist of the following:

| | 2010 | 2009 |
|---|---|---|
| Office furniture and fixtures | $ 437,523 | $ 431,996 |
| Office computers and equipment | 227,722 | 227,722 |
| Leasehold improvements | 14,594 | 14,594 |
| | 679,839 | 674,312 |
| Less accumulated depreciation | (414,154) | (336,443) |
| Net fixed assets | $ 265,685 | $ 337,869 |

Depreciation expense was $77,711 and $72,185 for the years ended April 30, 2010 and 2009, respectively. In September 2008, the Company retired various assets and leasehold improvement after moving to its new offices.

**NOTE 5 - NET CAPITAL REQUIREMENT**

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. At April 30, 2010 and 2009 the Company had net capital of $2,695,430 and $3,429,688 which was $2,106,185 and $2,949,123 in excess of its required net capital of $589,245 and $480,565, respectively.

**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

The Company has entered into a new office lease in Anaheim, California beginning September 1, 2008 for a six-year term. The monthly rent is $26,668 at the beginning of the new term for the first year. The operating lease for the prior office location in Orange, California expired in September 2008. Rent expense was $354,823 and $303,927, respectively, for the years ended April 30, 2010 and 2009.

The following is a schedule of minimum lease payments for the next five years:

| | |
|---|---|
| 2011 | $ 336,208 |
| 2012 | 346,288 |
| 2013 | 356,656 |
| 2014 | 367,384 |
| 2015 | 123,662 |
| | $ 1,530,198 |

**NOTE 6 - COMMITMENTS AND CONTINGENCIES, cont.**

The Company is also subject to various claims and lawsuits which arose primarily in the ordinary course of business.

The Company intends to vigorously defend all actions and, based on its present understanding of the law and the facts, believes it has meritorious defenses to the alleged claims; however, the ultimate outcome of the lawsuits cannot presently be determined. As of April 30, 2010 and 2009, the Company has included in its financial statements an allowance for estimated losses.

**NOTE 7 - PROVISION FOR INCOME TAXES**

The Company is included in the consolidated federal and state income tax returns filed by its Parent. Federal and state taxes are calculated as if the Company filed separate income tax returns. The current and deferred portions of the income tax expense (benefit) included in the statement of operations as determined in accordance with FASB ASC 740 for the years ended April 30, 2010 and 2009 are as follows:

| | Current | Deferred | Total |
|---|---|---|---|
| **2010** | | | |
| Federal | $ 535,358 | $ (24,770) | $ 510,588 |
| State | 152,918 | (22,400) | 130,518 |
| | $ 688,276 | $ (47,170) | $ 641,106 |
| **2009** | | | |
| Federal | $ 709,000 | $ 24,622 | $ 733,622 |
| State | 227,502 | (14,109) | 213,393 |
| | $ 936,502 | $ 10,513 | $ 947,015 |

The Company recognizes the accrual of any interest and penalties related to unrecognized tax benefits in income tax expense. No interest or penalties were recognized for the years ended April 30, 2010 and 2009. The Company does not have any tax positions at the end of the year for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within twelve months of the reporting date.

The Company is no longer subject to federal or state examinations by taxing authorities for the years before 2005. In May 2010, The California Franchise Tax Board commenced an examination of the Company's 2006 and 2007 returns and is anticipated to be completed by August 2010. During June 2010, FINRA commenced its biannual audit of the Company's books and records.

## NOTE 8 - SIGNIFICANT GROUP CONCENTRATIONS

The Company has banking relations with a financial institution in which depository account balances exceed $250,000.

## NOTE 9 - RELATED PARTY TRANSACTIONS

The Company has an agreement with Broker Design & Development, Inc. "BD&D", an affiliated corporation, which provides continuing education, product development and related support services to the Company

The Company also has an agreement with affiliate Hamilton Strategic Marketing, Inc., "Hamilton", which provides seminar, convention support and state registration services to the Company. For the years ended April 30, 2010 and 2009, the Company paid Hamilton $1,296,138 and $1,325,322, respectively in connection with this agreement.

## NOTE 10 - RETIREMENT PLANS

The Company sponsors a 401(k) plan. Employer contributions were $78,262 and $73,435 for the years ended April 30, 2010 and 2009, respectively.

# CENTAURUS FINANCIAL, INC.

Computation of Net Capital Pursuant to Rule 15c3-1

April 30, 2010 and 2009

| | 2010 | 2009 |
|---|---|---|
| COMPUTATION OF NET CAPITAL | | |
| Total ownership equity: | | |
| Stockholders' equity (from balance sheet) | $ 5,901,841 | $ 6,333,925 |
| Adjustments: | | |
| Accounts receivable - non-allowable | (2,541,406) | - |
| Related commissions payable | 2,287,266 | - |
| Fixed assets - net | (265,685) | (337,869) |
| Prepaid expenses and other assets | (2,260,352) | (2,075,798) |
| Due from affiliates | (381,234) | (313,409) |
| Haircut on securities | - | (157,161) |
| Fidelity bond deductible | (45,000) | (20,000) |
| Net Capital | $ 2,695,430 | $ 3,429,688 |
| COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS | | |
| Minimum dollar net capital requirement | $ 100,000 | $ 100,000 |
| Minimum net capital (6-2/3% of aggregate indebtedness) | $ 589,245 | $ 480,565 |
| Excess net capital | $ 2,106,185 | $ 2,949,123 |
| Excess net capital at 1,000% (net capital less 10% of aggregate indebtedness) | $ 1,811,562 | $ 2,708,840 |
| COMPUTATION OF AGGREGATE INDEBTEDNESS | | |
| Total liabilities (from balance sheet) | $ 8,838,682 | $ 7,208,481 |
| Ratio of aggregate indebtedness to net capital | 3.28 | 2.10 |

RECONCILIATION

The following is a reconciliation as of April 30, 2010 and 2009 of the above net capital computation with the Company's corresponding unaudited computation pursuant to Rule 17a-5(d)(4):

| | 2010 | 2009 |
|---|---|---|
| Net Capital - Company's computation | $ 6,116,800 | $ 4,657,652 |
| Reconciling items: | | |
| Accounts receivable | (2,541,406) | - |
| Related commissions payable | 2,287,266 | - |
| Accrual of bonuses | (756,000) | (605,000) |
| Tax provision adjustment | 220,491 | (237,547) |
| Accounts payable accrual | (437,765) | (422,175) |
| Other assets/liabilities adjustments | - | 36,758 |
| Other assets - non allowable (originally shown as allowable on 4/30/10 Focus) | (2,193,956) | - |
| Net Capital | $ 2,695,430 | $ 3,429,688 |

**CENTAURUS FINANCIAL, INC.**
Computation for Determination of Reserve Requirements
Pursuant to Rule 15c3-3

April 30, 2010 and 2009

The respondent claims an exemption under paragraph (k)(2)(ii) of SEC Rule 15c3-3.

**CENTAURUS FINANCIAL, INC.**
Information Relating to the Possession or Control
Requirements Under Rule 15c3-3
April 30, 2010 and 2009

The respondent claims an exemption under paragraph (k)(2)(ii) of SEC Rule 15c3-3.

LaVine
& Associates
Certified Public Accountants, Inc.

**Independent Auditor's Report On Internal Control Structure Required By SEC Rule 17a-5**

Board of Directors
Centaurus Financial, Inc.
Anaheim, California

In planning and performing our audit of the financial statements and supplemental schedules of Centaurus Financial, Inc. (the Company), as of and for the year ended April 30, 2010, 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 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.



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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 period 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 control deficiency 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 control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 above.

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 April 30, 2010 to meet the SEC's objectives.

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

LaVine & Associates CPAs, Inc

Mission Viejo, California
June 28, 2010

# CENTAURUS FINANCIAL, INC.

## FINANCIAL STATEMENTS

## APRIL 30, 2010 and 2009

# CENTAURUS FINANCIAL, INC.

## Independent Accountant's Report
## Applying Agreed-Upon Procedures Related to an Entity's SIPC Assessment Reconciliation

April 30, 2010

LaVine
& Associates
Certified Public Accountants, Inc.

**Independent Accountant's Report**
**Applying Agreed-Upon Procedures Related to**
**an Entity's SIPC Assessment Reconciliation**

To the Board of Directors
Centaurus Financial, Inc.
Anaheim, California

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying General Assessment Reconciliation (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) from May 1, 2009 through April 30, 2010, which were agreed to by Centaurus Financial, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC and solely to assist you and the other specified parties in evaluating Centaurus Financial, Inc. compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7).

Centaurus Financial, Inc. management is responsible for the Centaurus Financial, Inc. compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries (General Ledger) noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended April 30, 2010, as applicable, with the amounts reported in Form SIPC-7 from May 1, 2009 through April 30, 2010, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 noting no differences; and

26691 Plaza Drive, Suite 222 • Mission Viejo, California 92691-6348 • Tel (949) 367-1935 • Fax (949) 367-1936
www.lavine-cpas.com

5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

LaVine & Associates CPAs, Inc.

June 28, 2010
Mission Viejo, California

SIPC-7

(30-REV 3/10)

# SECURITIES INVESTOR PROTECTION CORPORATION

P.O. Box 92185 Washington, D.C. 20090-2185
202-371-8300

## General Assessment Reconciliation

For the fiscal year ended 4-30, 20 10

(Read carefully the instructions in your Working Copy before completing this Form)

SIPC-7

(30-REV 3/10)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

8-045185 FINRA APR 1/21/1993
CENTAURUS FINANCIAL INC
2300 E KATELLA AVE STE 200
ATTN WESTLEY KING
ANAHEIM, CA 92806

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

SCOTT PETERS (714)456-1790

2. A. General Assessment [item 2e from page 2 (not less than $150 minimum)] $ 53,565

B. Less payment made with SIPC-6 filed (exclude interest) ( 26,236 )

12/1/09
Date Paid

C. Less prior overpayment applied ( -0- )

D. Assessment balance due or (overpayment) 27,329

E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum -0-

F. Total assessment balance and interest due (or overpayment carried forward) $ 27,329

G. PAID WITH THIS FORM:
Check enclosed, payable to SIPC
Total (must be same as F above) $ 27,329

H. Overpayment carried forward $( )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

CENTAURUS FINANCIAL, INC
(Name of Corporation, Partnership or other organization)

(Authorized Signature)

PRESIDENT
(Title)

Dated the 25 day of JUNE, 20 10.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER

Dates: _______ Postmarked _______ Received _______ Reviewed

Calculations _______ Documentation _______ Forward Copy _______

Exceptions:

# DETERMINATION OF "SIPC NET OPERATING REVENUES" AND GENERAL ASSESSMENT

Amounts for the fiscal period
beginning 5-01, 2009
and ending 4-30, 2010
Eliminate cents

| Item No. | |
|---|---|
| 2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030) | $ 68,154,702 |
| 2b. Additions: | |
| (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above. | |
| (2) Net loss from principal transactions in securities in trading accounts. | |
| (3) Net loss from principal transactions in commodities in trading accounts. | |
| (4) Interest and dividend expense deducted in determining item 2a. | |
| (5) Net loss from management of or participation in the underwriting or distribution of securities. | |
| (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities. | |
| (7) Net loss from securities in investment accounts. | |
| Total additions | -0- |
| 2c. Deductions: | |
| (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products. | 45,666,201 |
| (2) Revenues from commodity transactions. | |
| (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions. | |
| (4) Reimbursements for postage in connection with proxy solicitation. | |
| (5) Net gain from securities in investment accounts. | 278,102 |
| (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date. | |
| (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act). | 718,455 |
| (8) Other revenue not related either directly or indirectly to the securities business. (See Instruction C): ______ | 66,208 |
| (9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income. $______ | |
| (ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960). $______ | |
| Enter the greater of line (i) or (ii) | -0- |
| Total deductions | 46,728,966 |
| 2d. SIPC Net Operating Revenues | $ 21,425,736 |
| 2e. General Assessment @ .0025 | $ 53,565 |