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

SEC
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MAR 08 2010

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

OMB APPROVAL
OMB Number: 3235-0123
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hours per response..... 12.00

SEC FILE NUMBER
8-51188

Washington, DC 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 01/01/09 AND ENDING 12/31/09
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **Heritage Benefits Financial Services, Inc.**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

2950 Northup Way, Suite 105

(No. and Street)

Bellevue

WA

98004

(City)

(State)

(Zip Code)

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

Edwin A. Day

425-827-1417

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Hagelin & Associates

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

2200 Sixth Avenue, Suite 430

Seattle

WA

98121

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
MAR 8 2010
BRANCH OF REGISTRATIONS
AND
04 EXAMINATIONS

FOR OFFICIAL USE ONLY

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

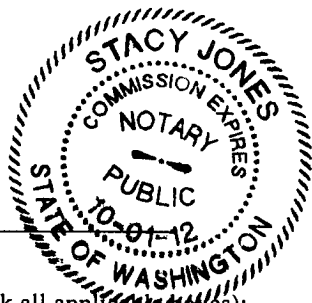
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OATH OR AFFIRMATION

I, Edwin A. Day, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Heritage Benefits Financial Services, Inc., as of December 31, 2009, 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]
Notary Public



[Signature]
Signature
President
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 15c3-1 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 auditors report on internal control structure.

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

HAGELIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
2200 Sixth Avenue, Suite 430
Seattle, WA 98121-1845

(206) 441-7100
FAX (206) 441-5804

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Heritage Benefits Financial Services, Inc.

We have audited the accompanying statement of financial condition of Heritage Benefits Financial Services, Inc. as of December 31, 2009, and the related statements of income, stockholders' equity, and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 audit provides 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 Heritage Benefits Financial Services, Inc. as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with United States of America generally accepted accounting principles.

Hagelin & Associates

Seattle, Washington

February 22, 2010

HERITAGE BENEFITS FINANCIAL SERVICES, INC.
STATEMENT OF FINANCIAL CONDITION
December 31, 2009

ASSETS

| | |
|---|------------------|
| Cash and cash equivalents | \$ 10,308 |
| Commissions receivable, net of allowance for doubtful accounts | 6,519 |
| | <u>\$ 16,827</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|--|------------------|
| Accounts payable | \$ 2,686 |
| Commissions payable | 6,519 |
| | <u>9,205</u> |
| Commitments and contingent liabilities | |
| Stockholders' equity: | |
| Common stock - no par value: | |
| Authorized - 50,000 shares, issued and outstanding - 1,000 shares | 29,000 |
| Additional paid in capital | 99,637 |
| Retained earnings (deficit) | (121,015) |
| | <u>7,622</u> |
| | <u>\$ 16,827</u> |

See notes to financial statements.

HERITAGE BENEFITS FINANCIAL SERVICES, INC.

STATEMENT OF INCOME

For the year ended December 31, 2009

| REVENUES | |
|--------------------------------|----------------------------|
| Commissions | \$ 116,003 |
| Total revenues | <u>116,003</u> |
| EXPENSES | |
| Commission expense | 116,003 |
| Salaries and payroll taxes | 47,435 |
| Employee benefits | 2,705 |
| Rent | 33,142 |
| Office expenses | 4,120 |
| Telephone | 6,340 |
| Professional fees | 3,031 |
| Business taxes | 2,489 |
| Registration fees and expenses | 554 |
| Insurance | 557 |
| Dues and subscriptions | 1,362 |
| Miscellaneous | 588 |
| Total expenses | <u>218,326</u> |
| NET INCOME | <u><u>\$ (102,323)</u></u> |

See notes to financial statements.

HERITAGE BENEFITS FINANCIAL SERVICES, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
For the year ended December 31, 2009

| | <u>Dollars</u> | Common Stock Contributed <u>Capital</u> | <u>Retained Earnings</u> |
|-----------------------------|----------------|---|------------------------------|
| Balance - December 31, 2008 | 29,000 | - | (18,692) |
| Capital contributions | | 99,637 | |
| Net income for the year | _____ | _____ | <u>(102,323)</u> |
| Balance - December 31, 2009 | <u>29,000</u> | <u>\$ 99,637</u> | <u>\$ (121,015)</u> |

See notes to financial statements.

HERITAGE BENEFITS FINANCIAL SERVICES, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2009
Increase (Decrease) in Cash and Cash Equivalents

| | |
|--|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Net income (loss) | \$ (102,323) |
| Adjustment to reconcile net income to net cash provided by operating activities: | |
| (Increase) decrease in: | |
| Commissions receivable | 418 |
| Increase (decrease) in: | |
| Accounts payable | 2,686 |
| Commissions payable | (418) |
| NET CASH FLOWS (USED IN) OPERATING ACTIVITIES | <u>(99,637)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| NET CASH FLOWS (USED IN) INVESTING ACTIVITIES | <u>-</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Capital contributions | <u>99,637</u> |
| NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES | <u>99,637</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | - |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>10,308</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 10,308</u> |

See notes to financial statements.

HERITAGE BENEFITS FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY - The Company is a Financial Industry Regulatory Authority Registered Broker and Dealer. Commission revenues are generated predominantly from the sale of private placement securities.

INCOME RECOGNITION - Securities transactions and the commission revenue and expense are recorded in the accounts on a trade date basis.

INCOME TAXES - The Company has elected "S" corporation status, effective since 2001. Under these provisions, the Company generally does not pay Federal corporate income taxes on its taxable income. Instead, the stockholders are liable for individual Federal income taxes based upon the Company's taxable income.

RELATED PARTIES - The Company has agreed to pay a commission expense equal to all commission income to an affiliated single member LLC. Both the Company and the LLC are solely owned and controlled by the same individual. Pursuant to an expense agreement between the Company and the LLC, the LLC will pay all non-commission expenses on behalf of the Company. In accordance with the expense agreement and FINRA guidance the payment of expenses by the LLC on behalf of the Company constitutes a capital contribution. Expenses for common items between the Company and the LLC are allocated between the two entities, whereas expenses due solely from the Company are allocated solely to the Company.

ESTIMATES AND ASSUMPTIONS - 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 the reported revenues and expenses.

FAIR VALUE OF FINANCIAL INSTRUMENTS - The carrying value of cash, receivables and accounts payable approximate fair value due to the short maturity of these instruments.

HERITAGE BENEFITS FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
(continued)

2. CASH AND CASH EQUIVALENTS

The Company considers cash and cash equivalents to include cash and those short-term, highly liquid investments with original maturities of three months or less.

Cash and cash equivalents at December 31, 2009 consist of the following:

| | |
|---------------|-----------|
| General funds | \$ 10,308 |
|---------------|-----------|

Supplemental disclosures for the statement of cash flows include cash paid during the year for:

| | |
|----------|------|
| Interest | \$ - |
|----------|------|

3. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1.

At December 31, 2009, the Company had net capital of \$8,060 and net capital required under the Rule was \$5,000. The aggregate indebtedness to net capital ratio was 1.09 to 1.

The net capital rules may effectively restrict the payment of cash dividends.

4. COMMITMENTS

The Company leases office premises under a noncancelable operating lease. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2009:

| | |
|---------------------------------|-----------------|
| <u>Year ending December 31,</u> | |
| 2010 | <u>\$22,233</u> |
| Total minimum payments required | <u>\$22,233</u> |

The Company's rental expense, under operating leases, was \$33,142 during 2009.

HERITAGE BENEFITS FINANCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
(continued)

5. EMPLOYEE PROFIT SHARING PLAN

The Company's employees are participants in a profit sharing plan. The plan covers substantially all of the Company's employees.

The plan is a simplified employee pension plan where the employees may elect to make voluntary contributions pursuant to a salary reduction agreement. The Company is not obligated for minimum contributions, but may elect to make discretionary contributions determined by the Board of Directors. Contributions cannot exceed twenty five percent of compensation. No contributions were authorized by the Board of Directors for 2009. The Company funds plan contributions as incurred.

HAGELIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
2200 Sixth Avenue, Suite 430
Seattle, WA 98121-1845

(206) 441-7100
FAX (206) 441-5804

INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTARY INFORMATION REQUIRED BY RULE 17a-5 OF THE
SECURITIES AND EXCHANGE COMMISSION

Board of Directors
Heritage Benefits Financial Services, Inc.

We have audited the accompanying financial statements of Heritage Benefits Financial Services, Inc. as of and for the year ended December 31, 2009, and have issued our report thereon dated February 22, 2010. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in pages 13 - 22 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 and Exchange Commission. Such information has been subjected to the United States of America 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.

Hagelin & Associates

Seattle, Washington

February 22, 2010

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

| OMB APPROVAL | |
|---|-------------------|
| OMB Number: | 3235-0123 |
| Expires: | February 28, 2010 |
| Estimated average burden hours per response..... | 12.00 |

Form X-17A-5

FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

PART IIA 12

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

1) Rule 17a-5(a) 16

2) Rule 17a-5(b) 17

3) Rule 17a-11 18

4) Special request by designated examining authority 19

5) Other 26 Rule 17a-5(d)

NAME OF BROKER-DEALER

SEC FILE NO.

8-51188 14

HERITAGE BENEFITS FINANCIAL SERVICES, INC. 13

FIRM I.D. NO.

45797 15

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

FOR PERIOD BEGINNING (MM/DD/YY)

2950 NORTHUP WAY, SUITE 105 20

01/01/2009 24

(No. and Street)

AND ENDING (MM/DD/YY)

BELLEVUE 21

WA 22

98004-1406 23

12/31/2009 25

(City)

(State)

(Zip Code)

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

(Area Code) — Telephone No.

EDWIN A. DAY 30

425-827-1417 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

OFFICIAL USE

32 33

34 35

36 37

38 39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES 40 NO 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT 42

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the _____ day of _____ 20 ____

Manual signatures of:

1) _____
Principal Executive Officer or Managing Partner

2) _____
Principal Financial Officer or Partner

3) _____
Principal Operations Officer or Partner

ATTENTION — Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:f(a))

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1696 (02-03) 1 of 16

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

HAGELIN & ASSOCIATES

70

ADDRESS

2200 SIXTH AVENUE, SUITE 430 71 SEATTLE 72 WA 73 98121 74

Number and Street City State Zip Code

CHECK ONE

- Certified Public Accountant 75
- Public Accountant 76
- Accountant not resident in United States
or any of its possessions 77

FOR SEC USE

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DO NOT WRITE UNDER THIS LINE . . . FOR SEC USE ONLY

| WORK LOCATION | REPORT DATE MM/DD/YY | DOC. SEQ. NO. | CARD | | | | |
|---------------|-------------------------|---------------|------|--|--|--|--|
| | | | | | | | |
| 50 | 51 | 52 | 53 | | | | |

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

| | | | | |
|--|----|--|--|-----|
| BROKER OR DEALER 1 HERITAGE BENEFITS FINANCIAL SERVICES, INC. | N3 | | | 100 |
|--|----|--|--|-----|

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

| | |
|--|-----|
| as of (MM/DD/YY) 12/31/2009 | 99 |
| SEC FILE NO. 8-51188 | 98 |
| Consolidated <input type="checkbox"/> | 198 |
| Unconsolidated <input checked="" type="checkbox"/> | 199 |

| | Allowable | | Non-Allowable | | Total |
|--|-----------|-----|---------------|-----------|-------|
| 1. Cash | \$ 10,308 | 200 | | \$ 10,308 | 750 |
| 2. Receivables from brokers or dealers: | | | | | |
| A. Clearance account | | 295 | | | |
| B. Other | 6,519 | 300 | \$ 550 | 6,519 | 810 |
| 3. Receivable from non-customers | | 355 | 600 | | 830 |
| 4. Securities and spot commodities owned at market value: | | | | | |
| A. Exempted securities | | 418 | | | |
| B. Debt securities | | 419 | | | |
| C. Options | | 420 | | | |
| D. Other securities | | 424 | | | |
| E. Spot commodities | | 430 | | | 850 |
| 5. Securities and/or other investments not readily marketable: | | | | | |
| A. At cost \$ | | 130 | | | |
| B. At estimated fair value | | 440 | 610 | | 860 |
| 6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value: | | 460 | 630 | | 880 |
| A. Exempted securities \$ | | 150 | | | |
| B. Other securities \$ | | 160 | | | |
| 7. Secured demand notes: | | 470 | 640 | | 890 |
| Market value of collateral: | | | | | |
| A. Exempted securities \$ | | 170 | | | |
| B. Other securities \$ | | 180 | | | |
| 8. Memberships in exchanges: | | | | | |
| A. Owned, at market \$ | | 190 | | | |
| B. Owned, at cost | | | 650 | | |
| C. Contributed for use of the company, at market value | | | 660 | | 900 |
| 9. Investment in and receivables from affiliates, subsidiaries and associated partnerships | | 480 | 670 | | 910 |
| 10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization | | 490 | 680 | | 920 |
| 11. Other assets | | 535 | 735 | | 930 |
| 12. TOTAL ASSETS | \$ 16,827 | 540 | \$ 740 | \$ 16,827 | 940 |

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER HERITAGE BENEFITS FINANCIAL SERVICES, INC.

as of 12/31/2009

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

LIABILITIES AND OWNERSHIP EQUITY

| <u>Liabilities</u> | <u>A.I. Liabilities</u> | <u>Non-A.I. Liabilities</u> | <u>Total</u> |
|--|-----------------------------|---------------------------------|--------------------|
| 13. Bank loans payable | \$ 1045 | \$ 1255 ¹³ | \$ 1470 |
| 14. Payable to brokers or dealers: | | | |
| A. Clearance account | 1114 | 1315 | 1560 |
| B. Other | 1115 ¹⁰ | 1305 | 1540 |
| 15. Payable to non-customers | 1155 | 1355 | 1610 |
| 16. Securities sold not yet purchased, at market value | | 1360 | 1620 |
| 17. Accounts payable, accrued liabilities, expenses and other | 9,205 1205 | 1385 | 9,205 1685 |
| 18. Notes and mortgages payable: | | | |
| A. Unsecured | 1210 | | 1690 |
| B. Secured | 1211 ¹² | 1390 ¹⁴ | 1700 |
| 19. E. Liabilities subordinated to claims of general creditors: | | | |
| A. Cash borrowings: | | | |
| 1. from outsiders ⁹ \$ | 970 | | |
| 2. includes equity subordination (15c3-1(d)) of ... \$ | 980 | | |
| B. Securities borrowings, at market value from outsiders \$ | 990 | 1410 | 1720 |
| C. Pursuant to secured demand note collateral agreements | | 1420 | 1730 |
| 1. from outsiders \$ | 1000 | | |
| 2. includes equity subordination (15c3-1(d)) of ... \$ | 1010 | | |
| D. Exchange memberships contributed for use of company, at market value | | 1430 | 1740 |
| E. Accounts and other borrowings not qualified for net capital purposes | 1220 | 1440 | 1750 |
| 20. TOTAL LIABILITIES | \$ 9,205 1230 | \$ 1450 | \$ 9,205 1760 |
| <u>Ownership Equity</u> | | | |
| 21. Sole Proprietorship | | | 1770 ¹⁵ |
| 22. Partnership (limited partners) | 1020 ¹¹ | | 1780 |
| 23. Corporation: | | | |
| A. Preferred stock | | | 1791 |
| B. Common stock | | 29,000 | 1792 |
| C. Additional paid-in capital | | 99,637 | 1793 |
| D. Retained earnings | | -121,015 | 1794 |
| E. Total | | 7,622 | 1795 |
| F. Less capital stock in treasury | | 1796 ¹⁶ | 1796 |
| 24. TOTAL OWNERSHIP EQUITY | | | 7,622 1800 |
| 25. TOTAL LIABILITIES AND OWNERSHIP EQUITY | | | \$ 16,827 1810 |

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER HERITAGE BENEFITS FINANCIAL SERVICES, INC.

as of 12/31/2009

COMPUTATION OF NET CAPITAL

| | | | |
|--|----|-------|------------|
| 1. Total ownership equity from Statement of Financial Condition | \$ | 7,622 | 3480 |
| 2. Deduct ownership equity not allowable for Net Capital | 19 | () | 3490 |
| 3. Total ownership equity qualified for Net Capital | | 7,622 | 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 | \$ | 7,622 | 3530 |
| 6. Deductions and/or charges: | | | |
| A. Total non-allowable assets from | | | |
| Statement of Financial Condition (Notes B and C) | 17 | \$ | 3540 |
| B. Secured demand note delinquency | | | 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) | | | 3620 |
| 8. Net capital before haircuts on securities positions | 20 | \$ | 7,622 3640 |
| 9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)): | | | |
| A. Contractual securities commitments | \$ | | 3660 |
| B. Subordinated securities borrowings | | | 3670 |
| C. Trading and investment securities: | | | |
| 1. Exempted securities | 18 | | 3735 |
| 2. Debt securities | | | 3733 |
| 3. Options | | | 3730 |
| 4. Other securities | | | 3734 |
| D. Undue Concentration | | | 3650 |
| E. Other (List) | | | 3736 |
| | | | 3740 |
| 10. Net Capital | \$ | 7,622 | 3750 |

OMIT PENNIES

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FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER HERITAGE BENEFITS FINANCIAL SERVICES, INC.

as of 12/31/2009

COMPUTATION OF NET CAPITAL REQUIREMENT

Part A

| | | | |
|---|----|-------|------|
| 11. Minimum net capital required (6 $\frac{2}{3}$ % of line 19) | \$ | 614 | 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) | \$ | 2,622 | 3770 |
| 15. Excess net capital at 1000% (line 10 less 10% of line 19) | \$ | 6,702 | 3780 |

COMPUTATION OF AGGREGATE INDEBTEDNESS

| | | | |
|--|----|-------|------|
| 16. Total A.I. liabilities from Statement of Financial Condition | \$ | 9,205 | 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 | 3830 |
| 18. Total aggregate indebtedness | \$ | 9,205 | 3840 |
| 19. Percentage of aggregate indebtedness to net capital (line 18 ÷ by line 10) | % | 1.21 | 3850 |
| 20. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) | % | | 3860 |

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

| | | | |
|--|----|-----|------|
| 21. 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 | 3970 |
| 22. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | \$ | | 3880 |
| 23. Net capital requirement (greater of line 21 or 22) | \$ | | 3760 |
| 24. Excess capital (line 10 less 23) | \$ | | 3910 |
| 25. Net capital in excess of the greater of: | | | |
| A. 5% of combined aggregate debit items or \$120,000 | \$ | | 3920 |

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 $\frac{2}{3}$ % of aggregate indebtedness or 4% 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.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER HERITAGE BENEFITS FINANCIAL SERVICES, INC.

For the period (MMDDYY) from 01/01/2009 3932 to 12/31/2009 3933
 Number of months included in this statement 12 3931

STATEMENT OF INCOME (LOSS)

REVENUE

| | | | |
|---|----|---------|--------------|
| 1. Commissions: | | | |
| a. Commissions on transactions in exchange listed equity securities executed on an exchange | \$ | | 3935 |
| b. Commissions on listed option transactions | 25 | | 3938 |
| c. All other securities commissions | | 116,003 | 3939 |
| d. Total securities commissions | | 116,003 | 3940 |
| 2. Gains or losses on firm securities trading accounts | | | |
| a. From market making in options on a national securities exchange | | | 3945 |
| b. From all other trading | | | 3949 |
| c. Total gain (loss) | | | 3950 |
| 3. Gains or losses on firm securities investment accounts | | | 3952 |
| 4. Profit (loss) from underwriting and selling groups | | 26 | 3955 |
| 5. Revenue from sale of investment company shares | | | 3970 |
| 6. Commodities revenue | | | 3990 |
| 7. Fees for account supervision, investment advisory and administrative services | | | 3975 |
| 8. Other revenue | | | 3995 |
| 9. Total revenue | | \$ | 116,003 4030 |

EXPENSES

| | | | |
|--|--|---------|--------------|
| 10. Salaries and other employment costs for general partners and voting stockholder officers | | | 4120 |
| 11. Other employee compensation and benefits | | 47,435 | 4115 |
| 12. Commissions paid to other broker-dealers | | | 4140 |
| 13. Interest expense | | | 4075 |
| a. Includes interest on accounts subject to subordination agreements | | 4070 | |
| 14. Regulatory fees and expenses | | | 4195 |
| 15. Other expenses | | 170,891 | 4100 |
| 16. Total expenses | | \$ | 218,326 4200 |

NET INCOME

| | | | |
|---|--|------|---------------|
| 17. Income (loss) before Federal income taxes and items below (Item 9 less Item 16) | | \$ | -102,323 4210 |
| 18. Provision for Federal income taxes (for parent only) | | 28 | 4220 |
| 19. Equity in earnings (losses) of unconsolidated subsidiaries not included above | | | 4222 |
| a. After Federal income taxes of | | 4338 | |
| 20. Extraordinary gains (losses) | | | 4224 |
| a. After Federal income taxes of | | 4239 | |
| 21. Cumulative effect of changes in accounting principles | | | 4225 |
| 22. Net income (loss) after Federal income taxes and extraordinary items | | \$ | -102,323 4230 |

MONTHLY INCOME

| | | | |
|---|--|----|------|
| 23. Income (current month only) before provision for Federal income taxes and extraordinary items | | \$ | 4211 |
|---|--|----|------|

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **HERITAGE BENEFITS FINANCIAL SERVICES, INC.**

For the period (MMDDYY) from 01/01/2009 to 12/31/2009

STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

| | | | |
|---|----|----------|------|
| 1. Balance, beginning of period | \$ | 10.308 | 4240 |
| A. Net income (loss) | | -102.323 | 4250 |
| B. Additions (Includes non-conforming capital of | \$ | 4262 | 4260 |
| C. Deductions (Includes non-conforming capital of | \$ | 4272 | 4270 |
| | | | |
| 2. Balance, end of period (From item 1800) | \$ | 7.622 | 4290 |

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

| | | | |
|--|----|-----|------|
| 3. Balance, beginning of period | \$ | N/A | 4300 |
| A. Increases | | | 4310 |
| B. Decreases | | | 4320 |
| | | | |
| 4. Balance, end of period (From item 3520) | \$ | | 4330 |

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER HERITAGE BENEFITS FINANCIAL SERVICES, INC.

as of 12/31/2009

EXEMPTIVE PROVISION UNDER RULE 15c3-3

24. If an exemption from Rule 15c3-1 is claimed, identify below the section upon which such exemption is based (check one only)

- | | | |
|---|-------|------|
| A. (k)(1) — \$2,500 capital category as per Rule 15c3-1 | _____ | 4550 |
| B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained | X | 4560 |
| C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm ³⁰ _____ | 4335 | 4570 |
| D. (k)(3) — Exempted by order of the Commission (include copy of letter) | | 4580 |

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

| | Type of Proposed Withdrawal or Accrual (See below for code) | Name of Lender or Contributor | Insider or Outsider? (In or Out) | Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities) | (MMDDYY) Withdrawal or Maturity Date | Expect to Renew (Yes or No) |
|------------------------------|--|-------------------------------|--|---|---|--------------------------------------|
| 31 | 4600 | 4601 | 4602 | 4603 | 4604 | 4605 |
| 32 | 4610 | 4611 | 4612 | 4613 | 4614 | 4615 |
| 33 | 4620 | 4621 | 4622 | 4623 | 4624 | 4625 |
| 34 | 4630 | 4631 | 4632 | 4633 | 4634 | 4635 |
| 35 | 4640 | 4641 | 4642 | 4643 | 4644 | 4645 |
| Total \$³⁶ | | | | N/A | 4699 | |

OMIT PENNIES

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

| WITHDRAWAL CODE: | DESCRIPTIONS |
|------------------|--------------------------|
| 1. | Equity Capital |
| 2. | Subordinated Liabilities |
| 3. | Accruals |

HERITAGE BENEFITS FINANCIAL SERVICES, INC.
 COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
 SECURITIES AND EXCHANGE COMMISSION
 December 31, 2009

| | |
|--|-----------------|
| NET CAPITAL | |
| Total stockholder's equity qualified for net capital | \$ 7,622 |
| Deductions and/or charges: | |
| Receivable from brokers or dealers, other | - |
| Net capital | <u>\$ 7,622</u> |

| | |
|--|-----------------|
| AGGREGATE INDEBTEDNESS | |
| Items included in statement of financial condition | |
| Accounts payable | \$ 2,686 |
| Commissions payable | 6,519 |
| Total aggregate indebtedness | <u>\$ 9,205</u> |

| | |
|---|------------------|
| COMPUTATION OF BASIS NET CAPITAL REQUIREMENT | |
| Minimum net capital required | <u>\$ 614</u> |
| Minimum dollar net capital required of reporting broker or dealer | <u>\$ 5,000</u> |
| Excess net capital | <u>\$ 2,622</u> |
| Excess net capital at 1000% | <u>\$ 6,702</u> |
| Ratio: Aggregate indebtedness to net capital | <u>1.21 to 1</u> |

| | |
|---|-----------------|
| RECONCILIATION WITH COMPANY'S COMPUTATION | |
| (included in Part IIA of Form X-17A-5 as of December 31, 2009) | |
| Net capital, as reported in Company's Part IIA (Unaudited) FOCUS report | \$ 10,308 |
| Audit adjustments increasing (decreasing) assets | |
| Accounts receivable | 519 |
| Audit adjustments decreasing (increasing) A.I. liabilities | |
| Accounts payable | (2,686) |
| Commissions payable | (519) |
| Net capital as computed per this schedule | <u>\$ 7,622</u> |

HAGELIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
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(206) 441-7100
FAX (206) 441-5804

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL REQUIRED BY RULE 17a-5 OF THE
SECURITIES AND EXCHANGE COMMISSION

Board of Directors
Heritage Benefits Financial Services, Inc.

We have audited the financial statements of Heritage Benefits Financial Services, Inc. as of and for the year ended December 31, 2009, and have issued our report thereon dated February 22, 2010. In planning and performing our audit of the financial statements and supplemental schedules of Heritage Benefits Financial Services, Inc. for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for 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, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Heritage Benefits Financial Services, Inc. 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 the procedures 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 the quarterly securities examinations, counts, verifications and comparisons.
2. Recordation of differences required by Rule 17a-13.
3. 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.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL REQUIRED BY RULE 17a-5 OF THE
SECURITIES AND EXCHANGE COMMISSION

(Continued)

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 Commission'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.

Because of inherent limitations in internal control or 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 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 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 above.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL REQUIRED BY RULE 17a-5 OF THE
SECURITIES AND EXCHANGE COMMISSION

(Continued)

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, 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 were adequate at December 31, 2009, to meet the Commission's objectives.

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

Hagelin & Associates

Seattle, Washington

February 22, 2010

HERITAGE BENEFITS FINANCIAL SERVICES, INC.

Audited Financial Statements

Financial and Operational Combined Uniform

Single Report – Parts III and IIA

Independent Auditor's Report on Internal Control

December 31, 2009

HAGELIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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