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FIRST CASH FINANCIAL SERVICES INC
Form 11-K
June 27, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One):

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED, EFFECTIVE OCTOBER 7, 1996]

For the fiscal year ended December 31, 2002

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission file number: 0-19133

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

FIRST CASH 401(k) PROFIT SHARING PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

FIRST CASH FINANCIAL SERVICES, INC.
690 East Lamar, Suite 400
Arlington, Texas 76011

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Independent Auditor's Report

To the Administrative Committee

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First Cash 401(k) Profit Sharing Plan
Arlington, Texas

We have audited the accompanying statements of net assets available for benefits of First Cash 401(k) Profit Sharing Plan as of December 31, 2002 and 2001, the related statement of changes in net assets available for benefits for the year ended December 31, 2002 and supplemental schedule. These financial statements and schedule are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements and schedule 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 and schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedule. 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 our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and schedule referred to above present fairly in all material respects, the net assets available for benefits of First Cash 401(k) Profit Sharing Plan as of December 31, 2002 and 2001 and the changes in its net assets available for benefits for the year ended December 31, 2002 in conformity with the accounting principles generally accepted in the United States of America.

/S/ HEIN + ASSOCIATES LLP

Dallas, Texas
April 25, 2003

FIRST CASH 401(k) PROFIT SHARING PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

| | DECEMBER 31, | |
|--|--------------|------------|
| | 2002 | 2001 |
| ASSETS: | | |
| Investments, at fair value: | | |
| Mutual funds | \$ 749,416 | \$ 659,200 |
| Money market funds | 419,769 | 207,093 |
| First Cash Financial Services, Inc. common stock | 1,378,766 | 934,494 |
| Participant loans | 188,426 | 168,440 |
| | 2,736,377 | 1,969,227 |
| Contributions receivable: | | |
| Participant | 50,497 | 98,630 |
| Employer | 14,664 | 28,510 |
| | 65,161 | 127,140 |

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| | | |
|-----------------------------------|--------------|--------------|
| Cash | 810 | 142 |
| Other | 2,543 | 2,568 |
| | ----- | ----- |
| Total assets | 2,804,891 | 2,099,077 |
| LIABILITIES - | | |
| Refundable contributions | 28,907 | 19,828 |
| | ----- | ----- |
| Net assets available for benefits | \$ 2,775,984 | \$ 2,079,249 |
| | ===== | ===== |

See accompanying notes to these financial statements.

FIRST CASH 401(k) PROFIT SHARING PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEAR ENDED DECEMBER 31, 2002

ADDITIONS TO NET ASSETS ATTRIBUTABLE TO:

| | | |
|---|--|------------|
| Investment income: | | |
| Net appreciation in fair value of investments | | \$ 324,564 |
| Interest and dividends | | 40,864 |
| | | ----- |
| Net investment income | | 365,428 |
| | | ----- |

Contributions:

| | | |
|----------------------------------|--|---------|
| Employer | | 181,064 |
| Participant, including rollovers | | 615,248 |
| | | ----- |
| | | 796,312 |
| | | ----- |

| | | |
|-----------------|--|-----------|
| Total additions | | 1,161,740 |
|-----------------|--|-----------|

DEDUCTIONS FROM NET ASSETS ATTRIBUTABLE TO:

| | | |
|--|--|---------|
| Benefits paid directly to participants | | 421,432 |
| Loans paid off as part of a distribution | | 43,573 |
| | | ----- |
| Total deductions | | 465,005 |
| | | ----- |

| | | |
|---|--|---------|
| INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS | | 696,735 |
|---|--|---------|

NET ASSETS AVAILABLE FOR BENEFITS:

| | | |
|-------------------|--|--------------|
| Beginning of year | | 2,079,249 |
| | | ----- |
| End of year | | \$ 2,775,984 |
| | | ===== |

See accompanying notes to these financial statements.

FIRST CASH 401(k) PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS

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DECEMBER 31, 2002 AND 2001

1. DESCRIPTION OF PLAN

The following description of the First Cash 401(k) Profit Sharing Plan (the "Plan") provides only general information. For a more complete description of the Plan's provisions, participants should refer to the Plan agreement.

General

The Plan is a salary deferral plan covering substantially all employees of First Cash Financial Services, Inc. (the "Company" or the "Employer") who have completed one year of service with the Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Each year, participants may contribute to the Plan an amount up to 15% of their annual compensation. Each participant's annual contribution shall not exceed the maximum amount allowed for deferral for U.S. federal income taxes, which was \$11,000 for 2002. The amount of a participant's annual compensation that may be taken into account for purposes of determining the Company's matching contribution for any purpose under the Plan shall not exceed an amount prescribed annually by the IRS. The Company contributes to the Plan a matching amount equal to 50% of the first 3% of the participant's annual compensation that is contributed to the Plan. In addition, a special discretionary contribution as determined by the Company may be contributed, pro rata, based upon each participating employee's compensation to the total compensation of all participating employees. No such contribution was made for 2002.

If a participant makes a contribution during any year in an amount which exceeds the maximum amount allowed under IRS rules pertaining to highly compensated employees, the contribution is refunded and the matching Company contribution on such additional participant contribution may be forfeited by the participant and applied to reduce the employer's matching contribution to the Plan for the following year. Management believes that the Plan is in compliance with the funding requirements of ERISA.

Participant Accounts

Each participant's account is credited with the participant's contribution, allocations of the Company's matching contributions and Profit Sharing contributions, if applicable. Forfeitures of the non-vested portion of terminated participants' accounts may be applied first to payment of plan administrative expenses and any remaining forfeitures will be allocated to the remaining Plan participants. The various participant allocations are based on a percentage of the participant's elective deferral or compensation in relation to total compensation of participants, as defined in the Plan agreement.

Vesting

Participants are immediately vested in their contributions (including rollovers) plus actual earnings thereon. Vesting in the remainder of their accounts is generally based on years of continuous service with the Company. Effective January 1, 2001, the Plan was amended and defined a year of service for vesting purposes to be a twelve consecutive month period ending on each anniversary of a participant's date of hire. A

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participant is 100% vested after six years of credited service. A participant is also 100% vested upon reaching retirement age or if employment is terminated by reason of total and permanent disability or death.

Investment Options

Upon enrollment into the Plan, a participant may direct his or her employee contributions in any increment to the Company's common stock or any of the mutual fund investment options offered by Frontier Trust Company, the custodian of the Plan. Participants may change the allocation of their existing funds and future contributions at any time. Employer contributions are invested in the same percentages as the employee contributions for 2002 and 2001.

Payment of Benefits

Participants whose employment terminates for any reason (except death) are generally entitled to receive the vested portion of their account in the form of a lump sum or installment distribution payable in cash or property. Certain participants may be eligible to receive benefits in the form of annuity payments. Amounts allocated to withdrawing participants at December 31, 2002 were immaterial.

Participant Loans

A participant may apply to the plan administrator for a loan under the Plan. All loans made by the trustees shall be subject to the terms and conditions set forth in the Plan Document and Trust Agreement. Participants may borrow up to one-half of the participant's vested account balance or \$50,000, whichever is less. The loans will bear a reasonable rate of interest based upon prevailing commercial rates for loans of similar types. Repayments of the loan balance, plus interest, are made bi-weekly through after-tax payroll deductions, not to exceed five years, unless the loan was obtained to acquire a home, then over a reasonable period of time as determined by the trustee. A participant may have up to two loans outstanding at any one time. Participant loans are collateralized by the respective participant accounts.

Forfeitures

Participants who terminate employment prior to being fully vested in Company matching contributions forfeit non-vested amounts. At December 31, 2002, there were no forfeited non-vested accounts. Forfeitures of Company matching contributions are used to reduce future Company contributions to the Plan. In 2002, Company matching contributions were reduced by approximately \$28,000 from forfeited, non-vested accounts. Forfeitures of discretionary Company contributions are reallocated among all remaining participants.

Administrative Fees

The Company has paid, at its discretion, the administrative expenses of the Plan. Administrative expenses incurred in 2002 were approximately \$32,500.

Tax Status

The Internal Revenue Service ("IRS") has determined and informed the Company by a letter dated February 13, 1997, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code.

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2. SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The financial statements and supplemental schedules are prepared on an accrual basis of accounting.

Valuation of Investments

Shares of registered investment companies are valued at quoted market prices which represent the net asset value of shares held by the Plan at year-end. Equity securities are valued at fair value using quoted market prices. Participant loans and investments in money market funds are stated at cost, which approximates fair value. Reinvested income, accrued interest and dividends are reflected as additions to the cost basis of the investments. Investment transactions are recorded on a trade-date basis.

Payment of Benefits

Benefits are recorded when paid. Benefits due to participants who have elected to withdraw from the Plan but have not been paid are included in net assets available for benefits. Amounts allocated to withdrawing participants at December 31, 2002 were immaterial.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as applied to defined contribution employee benefit plans requires the Plan's management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

3. INVESTMENTS

Investments, at fair value, consisted of the following as of December 31:

| | 2002 | 2001 |
|--|--------------|--------------|
| | ----- | ----- |
| Mutual Funds: | | |
| Merrill Lynch Fundamental Growth Fund Class B (1) \$ | 172,691 | \$ 156,497 |
| Merrill Lynch Basic Value Fund (1) | 167,444 | 158,012 |
| Merrill Lynch Global Allocation Fund (1) | 152,336 | 124,578 |
| Merrill Lynch BD Core Bond Class B | 116,591 | 88,827 |
| MFS Massachusetts Investors Trust | 70,590 | 60,281 |
| Davis New York Venture Fund | 69,764 | 71,005 |
| | ----- | ----- |
| | 749,416 | 659,200 |
| Money Market Funds: | | |
| Merrill Lynch Retirement Preservation Fund (1) | 419,769 | 207,093 |
| First Cash Financial Services, Inc. common stock (1) | 1,378,766 | 934,494 |
| Participant loans (1) | 188,426 | 168,440 |
| | ----- | ----- |
| | \$ 2,736,377 | \$ 1,969,227 |
| | ===== | ===== |

(1) Represents 5% or more of the Plan's net assets.

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FIRST CASH 401(k) PROFIT SHARING PLAN
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002 AND 2001

During 2002, the Plan's investments (including gains and losses on investments, bought and sold, as well as held during the year) appreciated in value by \$324,564 as follows:

| | |
|--|--------------|
| Mutual Funds | \$ (134,910) |
| First Cash Financial Services, Inc. common stock | 459,474 |
| | ----- |
| | \$ 324,564 |
| | ===== |

4. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan agreement to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants become 100% vested in their accounts.

FIRST CASH 401(k) PROFIT SHARING PLAN
 SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

EIN: 75-2237318 Plan Number: 001

DECEMBER 31, 2002

| (a) | (b) | (c) | (d) | (e) |
|-----|---|---|------|--------------------------------|
| | IDENTITY OF ISSUER, BORROWER, LESSOR OR SIMILAR PARTY | DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE, RATE OF INTEREST, COLLATERAL PAR OR MATURITY VALUE | COST | CURRENT VALUE |
| | ----- | ----- | --- | ----- |
| | Mutual Funds: | | | |
| | Merrill Lynch | Fundamental Growth Fund | ** | \$ 172,691 |
| | Merrill Lynch | Basic Value Fund | ** | 167,444 |
| | Merrill Lynch | Global Allocation Fund | ** | 152,336 |
| | Merrill Lynch | BD Core Bond | ** | 116,591 |
| | MFS Massachusetts | Investors Fund | ** | 70,590 |
| | Davis New York | Venture Fund | ** | 69,764 |
| | Money Market Funds | | | |
| | Merrill Lynch | Retirement Preservation Fund | ** | 419,769 |
| * | First Cash Financial Services, Inc. | Common stock | ** | 1,378,766 |
| * | Loans to participants | 5.5% - 9.5% interest and varying maturities | | 188,426 |
| | Total investments | | | ----- \$ 2,736,377 ===== |

(a) This column will have an asterisk on each line which is identified as a party-in-interest to the Plan. Frontier Trust Company acted as the

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Plan's custodian through December 31, 2002.

** Historical cost information omitted as permitted for participant directed transactions under an individual account plan.

See Independent Auditor's Report.

FIRST CASH 401(k) PROFIT SHARING PLAN

REQUIRED INFORMATION

ITEM 1 Not Applicable.

ITEM 2 Not Applicable.

ITEM 3 Not Applicable.

ITEM 4 Financial Statements and Exhibits

(a) Financial Statements

Financial statements and supplemental schedule prepared in accordance with the financial reporting requirements of ERISA filed hereunder are listed on page 2 hereof in the Table of Contents, in lieu of the requirements of Items 1 to 3 above.

(b) Exhibits:

23 Consent of Independent Auditors

99 Certification of Plan Administrator

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrative Committee that administers the Plan has duly caused this Annual Report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 27, 2003

FIRST CASH 401(K) PROFIT SHARING PLAN

By: /s/ Rick Wessel

Plan Administrator