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

SEC FILE NUMBER
849964

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 1/1/2002 AND ENDING 12/31/2002
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Dulaney Securities Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

9690 Deereco Road Suite 440

(No. and Street)

Timonium

(City)

MARYLAND

(State)

21093

(Zip Code)

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

LISA A. NASSNER

410-561-9690

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Bob Black Black Reilly & Associates

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

The Riderwood Bldg #304, 1107 Kenilworth Ave

(Address)

TOWSON

(City)

MARYLAND

(State)

21204 (Zip Code)

CHECK ONE:

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

PROCESSED

MAR 11 2003

FOR OFFICIAL USE ONLY

THOMSON FINANCIAL

*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)

Potential persons who are to 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 1410 (06-02)

MEB

OATH OR AFFIRMATION

I, Dorothy M. Schmitt, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Dolaney Securities, Inc., as of December 31, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Dorothy M. Schmitt
Signature
President
Title

Lucas A. Wassner
Notary Public

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition 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.

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

DULANEY SECURITIES, INC.

**Audited Financial Statement
and schedules**

December 31, 2002

DULANEY SECURITIES, INC.

Audited Financial Statements and Schedules

December 31, 2002

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BLACK, REILLY & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS REPORT

Board of Directors
Dulaney Securities, Inc.
Towson, Maryland

We have audited the accompanying statement of financial condition of Dulaney Securities, Inc. as of December 31, 2002, and the related statements of operations, cash flows, and changes in stockholders' equity 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 statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 Dulaney Securities, Inc. at December 31, 2002, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, III, and IV is presented for the 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 subject to the auditing procedures applied in our 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.

Black, Reilly & Associates
Black, Reilly & Associates

January 22, 2003

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DULANEY SECURITIES, INC.

Statement of Financial Condition

December 31, 2002

ASSETS

Cash	\$	23,578
Accounts receivable		-
Common stock - at cost		3,300
Prepaid expenses		<u>1,375</u>
Total Assets	\$	<u><u>28,253</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Accrued expenses	\$	2,000
Income taxes payable		<u>113</u>
Total Liabilities		<u>2,113</u>

STOCKHOLDERS' EQUITY

Common stock, par value \$.01 per share, Authorized 100,000 shares; issued and outstanding 100,000 shares		1,000
Additional paid-in capital		24,000
Retained earnings		<u>1,140</u>
Total Stockholders' Equity		<u>26,140</u>
Total Stockholders' Equity and Liabilities	\$	<u><u>28,253</u></u>

See notes to financial statements

DULANEY SECURITIES, INC.

**Statement of Operations and
changes in Retained Earnings**

For the year ended December 31, 2002

REVENUE

Commission income:

Variable annuities

\$ 49,323

Variable annuities trails

16,629

Interest income

478

Total Revenue

66,430

EXPENSES

Administrative fees to affiliated company

55,500

Regulatory fees and licenses

3,195

Insurance costs

5,195

Professional fees

2,000

Income taxes

113

Total Expenses

66,003

Net income

427

Retained earnings - beginning of year

713

Retained earnings - end of year

\$ 1,140

See notes to financial statements

DULANEY SECURITIES, INC.

Statement of Cash Flows

For the year ended December 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES

Net income (loss)	\$ 427
Changes in:	
Accounts receivable	10,778
Prepaid expenses	(305)
Income taxes payable	<u>(76)</u>
Net cash provided (used) by operating activities	10,824
Net increase (decrease) in cash	10,824
Cash balance beginning of year	<u>12,754</u>
Cash balance end of year	<u>\$ 23,578</u>

See notes to financial statements

DULANEY SECURITIES, INC.

Statement of Changes in Stockholders' Equity

For the year ended December 31, 2002

	Common Stock	Paid-in Capital	Retained Earnings
Balance at December 31, 2001	\$ 1,000	\$ 24,000	\$ 713
Net income for 2002	<u> </u>	<u> </u>	<u>427</u>
Balance at December 31, 2002	<u>\$ 1,000</u>	<u>\$ 24,000</u>	<u>\$ 1,140</u>

DULANEY SECURITIES, INC.

Notes to Financial Statements

December 31, 2002

NOTE A. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared on an accrual basis of accounting.

Dulaney Securities, Inc. (the Company) is a registered securities broker dealer. The Company was incorporated on December 27, 1996, and completed its first year of operations in 1997. The Company was formed to offer a broad range of investment securities to individuals and business entities.

Income is recognized as revenue when all significant services have been rendered.

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 B – INCOME TAXES

The Company utilizes the asset and liability method of accounting for income taxes, as set forth in Statement of Financial Accounting Standards No. 109 (FAS 109), "Accounting for Income Taxes". This method requires the recognition of deferred tax assets and liabilities for the expected future consequences of events that have been recognized in the Company's financial statements or income tax returns.

NOTE C – RELATED PARTY TRANSACTIONS

The Company is affiliated with Investment Resource Group, Ltd. (IRG) through common ownership, and shares office facilities with IRG. The Company pays an administration fee for services such as rent, support staff, computer time and general office expenses which are provided by IRG. The expense for these services was \$55,500 for 2002.

SCHEDULE I

SCHEDULE OF CHANGES IN LIABILITIES
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

DULANEY SECURITIES, INC.

December 31, 2002

The Company had no liabilities which were subordinated to claims of general creditors as of December 31, 2002 and for the year then ended.

SCHEDULE II
SCHEDULE OF NET CAPITAL
DULANEY SECURITIES, INC.

BROKER OR DEALER	As of 12/31/02
1. Total ownership equity from Statement of Financial Condition	<u>\$ 26,140</u>
2. Deduct ownership equity not allowable for Net Capital	<u>0</u>
3. Total ownership equity qualified for Net Capital	<u>\$ 26,140</u>
4. Add:	
A. Liabilities subordinated to claims of general creditors allowable in computation of Net Capital	0
B. Other (deductions) or Allowable credits (List)	<u>0</u>
5. Total capital and allowable subordinated liabilities	<u>\$ 26,140</u>
6. Deductions and/or charges:	
A. Total non-allowable assets from Statement of Financial Condition	4,675
B. Secured demand note deficiency	0
C. Commodity futures contracts and spot commodities proprietary capital charges	0
D. Other deductions and/or charges	<u>0</u>
	(4,675)
7. Other additions and/or allowable credits (List)	<u>0</u>
8. Net capital before haircuts on security positions	\$ 21,465
9. Haircuts on securities (computed, where applicable, pursuant to 15 © 3-1 (f):	
A. Contractible securities commitments	0
B. Subordinated securities borrowings	0
C. Trading and investment securities:	
1. Exempted securities	0
2. Debt securities	0
3. Options	0
4. Other securities	0
D. Undue concentrations	0
E. Other (List)	<u>0</u>
10. Net Capital	<u><u>\$ 21,465</u></u>

There were no differences between the above Computation of Net Capital and the Company's computation included in Part IIA of the revised Form X-17a-5 as of December 31, 2002.

SCHEDULE III

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS

DULANEY SECURITIES, INC.

December 31, 2002

There are no amounts as of December 31, 2002 to be reported pursuant to the position or control requirements under Rule 15c3-3. The Company is in compliance with the exemptive provisions of Rule 15c3-3 under paragraph (k)(1), and thus is exempt from the provisions of Rule 15c3-3.

SCHEDULE IV

INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS

DULANEY SECURITIES, INC.

December 31, 2002

This schedule is not applicable as of December 31, 2002 since the Company did not hold funds or securities for the account of its customers.