03012430

cm 3-10

OMB APPROVAL
OMB Number: 3235-0123
Expires: October 31, 2001
Estimated average burden hours per response 12.00

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

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

SEC FILE NUMBER
8-65277

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 August 12, 2002 ENDING December 31, 2002

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER

The Gramercy Group, LLC

OFFICIAL USE ONLY
FIRM ID. NO.

RECEIVED MAR 0 3 2003 PROCESSING SECTION

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

872 Lexington Ave. 2nd Floor
(No. and Street)

New York	NY	10021
(City)	(State)	(Zip Code)

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

Harry Lander 212-549-7030
(Area Code – Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Lilling & Company, LLP
(Name – If Individual, State Last, First, Middle Name)

10 Cutter Mill Road	Great Neck	NY	11021
(Address)	(City)	(State)	(Zip Code)

CHECK ONE

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

PROCESSED
MAR 2 0 2003
THOMSON FINANCIAL

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 exemption. See section 240,17a-5(e)(2).*

BB 3/19

OATH OR AFFIRMATION

I, Harry Lander swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of

The Gramercy Group LLC, 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:

Signature

President

Title

Notary Public

RAUL AVILES
Notary Public, State of New York
No.01AV6077148
Qualified in Manhattan County
Commission Expires JULY 08, 2006

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 Proprietor's 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 anaudited 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) A report on internal control.

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

THE GRAMERCY GROUP LLC

REPORT ON AUDIT OF FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

REPORT ON INTERNAL CONTROL

DECEMBER 31, 2002

Lilling & Company LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members
The Gramercy Group LLC
New York, New York

We have audited the accompanying statement of financial condition of The Gramercy Group LLC as of December 31, 2002 and the related statements of operations, changes in members' equity and cash flows for the period from August 12, 2002 (date operations commenced) to December 31, 2002 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 The Gramercy Group LLC as of December 31, 2002 and the results of its operations and its cash flows for the initial period then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules 1 and 2 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 under 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.

Lilling & Company

CERTIFIED PUBLIC ACCOUNTANTS

February 9, 2003

Ten Cutter Mill Road, Great Neck, NY 11021-3201 • (516) 829-1099 • Fax (516) 829-1065

THE GRAMERCY GROUP LLC

STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2002

ASSETS

Cash	$	96,692
Due from broker dealers		38,686
Securities owned		311,846
Computer equipment and software, net of accumulated depreciation		105,643
Other assets		10,470
	$	563,337

LIABILITIES AND MEMBERS' EQUITY

Liabilities		
Accrued expenses	$	30,718
Members' equity		532,619
	$	563,337

See notes to financial statements

THE GRAMERCY GROUP LLC

STATEMENT OF OPERATIONS
PERIOD FROM AUGUST 12, 2002 (DATE OPERATIONS COMMENCED)
TO DECEMBER 31, 2002

REVENUES	
Trading income	$ 118,970
Interest and other income	860
	119,830
EXPENSES	
Salaries and payroll costs	198,246
Advertising	54,837
Clearing and execution	49,176
Occupancy	24,416
Operating expenses	136,193
	462,868
NET LOSS	$ (343,038)

See notes to financial statements

THE GRAMERCY GROUP LLC

STATEMENT OF CASH FLOWS
PERIOD FROM AUGUST 12, 2002 (DATE OPERATIONS COMMENCED)
TO DECEMBER 31, 2002

Cash flows from operating activities	
Net loss	$ (343,038)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization	12,550
Increase in receivable from clearing broker	(38,686)
Increase in securites owned	(311,846)
Increase in other assets	(10,470)
Increase in accrued expenses	30,718
Total adjustments	(317,734)
Net cash used by operating activities	(660,772)
Cash flows from investing activities	
Cash paid for the purchase of equipment	(118,193)
Net cash used by investing activities	(118,193)
Cash flows from financing activities	
Capital contribution	875,657
Net cash provided by financing activities	875,657
NET INCREASE IN CASH	96,692
CASH - BEGINNING	-
CASH - END	$ 96,692

Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Income taxes	$ -
Interest	$ -

See notes to financial statements

THE GRAMERCY GROUP LLC

STATEMENT OF CHANGES IN MEMBERS' EQUITY PERIOD FROM AUGUST 12, 2002 (DATE OPERATIONS COMMENCED) TO DECEMBER 31, 2002

	TOTAL
Balance - beginning	$ -
Capital contributions	875,657
Net loss	(343,038)
Balance - end	$ 532,619

See notes to financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

Organization

The Gramercy Group LLC (the Company) is organized to be active in various aspects of the securities industry and is registered to be a broker-dealer with the National Association of Securities Dealers and the Securities and Exchange Commission. The Company is a non-clearing broker and does not handle any customer funds or securities. There were no liabilities subordinated to claims of general creditors during the year ended December 31, 2002. The Company is located in New York City.

Computer Equipment and Software

Computer Equipment and Software are recorded at cost. Depreciation is recorded on accelerated methods over the estimated useful life of the related assets, three to five years.

Income Taxes

The Company is a limited liability company ("LLC") and is recognized as a partnership for income tax purposes. An LLC generally pays no income taxes and passes through substantially all taxable events to the members of the Company. The Company is subject to unincorporated income taxes on income earned in New York City.

Securities owned

Securities owned are recorded at current values.

Significant Credit Risk and Estimates

The Company executes, as agent, securities transactions on behalf of its customers. If either the customer or a counter-party fail to perform, the Company may sustain a loss if the market value of the security is different from the contract value of the transaction. The Company as a non-clearing broker does not handle any customer funds or securities. The responsibility for processing customer activity rests with the Company's clearing firms, Wexford Clearing Service, Corporation, located in New York, a division of Prudential Securities.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management of the Company to use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. COMPUTER EQUIPMENT AND SOFTWARE

Computer Equipment and Software consist of the following:

Computer Equipment	$113,434
Computer Software	4,759
	118,193
Accumulated depreciation	12,550
	$105,643

Depreciation expense was $12,550 for the year ended December 31, 2002.

3. 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 and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1.) At December 31, 2002, the Company had net capital of $410,269, which was $310,269 in excess of its required net capital of $100,000. The Company had a percentage of aggregate indebtedness to net capital of 7.5% as of December 31, 2002.

4. COMMITMENTS AND CONTINGENCIES

Lease

The Company entered into a lease for office space, which expires in April 2005, and calls for monthly payments and specified escalations. Included in operations for 2002 is rent expense of approximately $24,500.

Future minimum lease payments are approximately as follows:

2003	$33,200
2004	34,400
2005	11,600
	$79,200

Supplementary Information
Pursuant to Rule 17a-5 of the
Securities Exchange Act of 1934

As of December 31, 2002

THE GRAMERCY GROUP LLC **Schedule 1**

COMPUTATION OF NET CAPITAL UNDER RULE 15c-3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2002

NET CAPITAL	
Members' equity	$ 532,619
Deductions and/charges:	
Nonallowable assets	116,113
Net capital before haircuts on security positions	$ 416,506
Haircuts and undue concentration	6,237
NET CAPITAL	$ 410,269
AGGREGATE INDEBTEDNESS	$30,718
MINIMUM NET CAPITAL REQUIRED	$ 100,000
EXCESS OF NET CAPITAL OVER MINIMUM REQUIREMENTS	$ 310,269
PERCENTAGE OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	7.5%

Note:

There were no material differences between the computation of net capital calculated above and the Company's computation included in Part IIA of Form X-17a-5 as of December 31, 2002.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-3
DECEMBER 31, 2002

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(ii) of the Rule.

Lilling & Company LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5 FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3

Board of Directors and Stockholder
The Gramercy Group LLC
New York, New York

In planning and performing our audit of the financial statements and supplemental schedules of The Gramercy Group LLC (the Company), for the initial period ended December 31, 2002, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including 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

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

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

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.

Ten Cutter Mill Road, Great Neck, NY 11021-3201 • (516) 829-1099 • Fax (516) 829-1065

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted the following matter involving the internal control environment that we consider to be a material weakness as defined above. This condition was considered in determining the nature, timing and extent of the procedures to be performed in our audit of the financial statements of The Gramercy Group LLC for the initial period ended December 31, 2002, and this report does not affect our report thereon dated February 9, 2003.

> The size of the business and resultant limited number of employees imposes practical limitations on the effectiveness of those internal control structure procedures that depend on the segregation of duties. Since this condition is inherent in the size of the Company, the specific weaknesses are not described herein and no corrective action has been taken or proposed by the Company.

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 were adequate at December 31, 2002, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the NASD, 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 is not intended to be and should not be used by anyone other than these specified parties.

Lilling & Company

CERTIFIED PUBLIC ACCOUNTANTS

February 9, 2003