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

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

SEC FILE NUMBER
8- 17597

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 January 1, 2002 AND ENDING December 31, 2002
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **George McKelvey Co., Inc.**
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
529 Washington Boulevard

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

Sea Girt **New Jersey** **08750**
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Robert A. Giunco, Jr. **(732) 449-5323**
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Robert L. Doremus, CPA

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

800 The Plaza **Sea Girt** **New Jersey** **08750**
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED

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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)

MAR 21 2003

OATH OR AFFIRMATION

I, Robert A. Giunco, Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of George McKelvey Co., 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:

Sworn to and subscribed
before me this
25th day of Feb., 2003

MARY CLAUDIA GATHMAN
NOTARY PUBLIC OF NEW JERSEY
Commission Expires 3/26/2003

Robert A. Giunco, Jr.
Signature
Vice President
Title

Mary Claudia Gathman
Notary Public
MARY CLAUDIA GATHMAN
NOTARY PUBLIC OF NEW JERSEY
Commission Expires 3/26/2003

- This report ** contains (check)
- (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).

GEORGE McKELVEY CO., INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2002

ROBERT L. DOREMUS

Certified Public Accountant

800 The Plaza

P. O. Box 162

Sea Girt NJ 08750

Ph. (732) 449-3779

Fax: (732) 974-1706

February 17, 2003

To the Board of Directors
George McKelvey Co., Inc.
529 Washington Boulevard
Sea Girt NJ 08750

I have audited the accompanying Statement of Financial Condition of George McKelvey Co., Inc. as of December 31, 2002, the related Statements of Income, Changes in Stockholders' Equity, Cash Flows, and Changes in Liabilities Subordinated to Claims of Creditors and Supplementary Information for the year ended December 31, 2002. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of George McKelvey Co., Inc. as of December 31, 2002 and the results of its operations and its cash flows for the year ended December 31, 2002 in conformity with generally accepted accounting principles.


ROBERT L. DOREMUS, CPA

GEORGE McKELVEY CO., INC.

Statement of Financial Condition

December 31, 2002

Assets

Current Assets

Cash	\$ 4,666
Receivable from Clearing Broker	53,507
Receivables for Investment Advisory Service	724,526
Temporary Investments	7,003
Other	<u>72,297</u>
	<u>861,999</u>

Securities Pledged under Subordination Agreement 265,000

Fixed Assets

Fixtures and Equipment at Cost	368,919
Less Accumulated Depreciation	<u>336,966</u>
	<u>31,953</u>

Total Assets \$1,158,952

Liabilities and Stockholders' Equity

Current Liabilities \$ 654,606

Liabilities Subordinated to Claims of General Creditors
(Notes collateralized by securities with a market
value of \$575,269 and collateral value as defined
by the NASD of \$387,839) 265,000

Stockholders' Equity

Capital Stock	25,000
Paid-In Capital	48,167
Retained Earnings	<u>166,179</u>
	<u>239,346</u>

Total Liabilities and Stockholders' Equity \$1,158,952

See Accountant's Report and Notes to Financial Statements

GEORGE McKELVEY CO., INC.

Statement of Income
For the Year Ended December 31, 2002

Revenues

Commissions	\$ 932,223
Principal Transactions	273,445
Investment Advisory Fees	1,440,743
Other Revenue	<u>359,497</u>
Total Revenues	<u>3,005,908</u>

Expenses

Salaries and Other Employment Costs	
For Voting Stockholder Officers	1,230,350
Other Employee Compensation and Benefits	1,148,478
Commissions Paid to Other Broker-Dealers	193,427
Regulatory Fees and Expenses	10,342
Depreciation	23,000
Other Expenses	<u>359,321</u>
Total Expenses	<u>2,964,918</u>
Income Before Provision for Taxes	40,990
Provision for Taxes	<u>9,130</u>
Net Income	<u>\$ 31,860</u>

See Accountant's Report and Notes to Financial Statements

GEORGE McKELVEY CO., INC.

Statement of Cash Flows
For the Year Ended December 31, 2002

Cash Flows From Operating Activities

Net Income	<u>\$ 31,860</u>
Adjustments to Reconcile Net Income to Net Cash From Operating Activities:	
Depreciation	23,000
Decrease in Receivable from Clearing Brokers	26,117
Increase in Receivables from Investment Advisory Services	(49,536)
Increase in Other Current Assets	(927)
Decrease in Current Liabilities	<u>(102,083)</u>
Total Adjustments	<u>(103,429)</u>
Net Cash From Operating Activities	<u>(71,569)</u>

Cash Flows Used by Investing Activities

Purchases of Fixed Assets	48,746
Decrease in Temporary Investments	<u>4,730</u>
Net Cash Used by Investing Activities	<u>(44,016)</u>

Net Decrease in Cash (115,585)

Cash at Beginning of Year 120,251

Cash at End of Year \$ 4,666

See Accountant's Report and Notes to Financial Statements

GEORGE McKELVEY CO., INC.

Statement of Changes in Stockholders' Equity
Year Ended December 31, 2002

	<u>Capital Stock</u>	<u>Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance - Jan. 1, 2002	\$ 25,000	\$ 48,167	\$ 134,319	\$207,486
Net Income	<u> -</u>	<u> -</u>	<u> 31,860</u>	<u> 31,860</u>
Balance - Dec. 31, 2002	<u>\$25,000</u>	<u>\$48,167</u>	<u>\$166,179</u>	<u>\$239,346</u>

See Accountant's Report and Notes to Financial Statements

GEORGE McKELVEY CO., INC

Statement of Changes in Liabilities Subordinated
to Claims of Creditors
December 31, 2002

Subordinated Liabilities Beginning of Year	\$265,000
Change in Subordinated Liabilities	<u>0</u>
Subordinated Liabilities End of Year	<u>\$265,000</u>

See Accountant's Report and Notes to Financial Statements

GEORGE McKELVEY CO., INC

Notes to Financial Statements

December 31, 2002

1. Accounting Policies:

- (a) Securities transactions and related commission revenues and expenses are recorded on a trade date basis. Revenues from Investment Advisory Services are recognized ratably as earned.
- (b) Fixed assets are recorded on the books at cost and depreciated on a straight line basis using an estimated economical useful life of 5 to 10 years.
- (c) Effective November 9, 1992, the Company entered into an agreement with National Financial Services Corporation to clear transactions on a fully disclosed basis for customer and contra-broker accounts. As part of the terms of the agreement, the company is required by National Financial Services Corporation to maintain a minimum net capital of \$100,000.
- (d) Pursuant to the net capital provisions of Rule 15c3-1, the Company is required to maintain a minimum net capital of \$250,000. At December 31, 2002, the Company's net capital ratio of aggregate indebtedness to net capital was .21 to 1 and its net capital totaled \$330,335 and exceeded the net capital requirement by \$80,335.
- (e) The accompanying financial statements have been prepared on the accrual basis of accounting.

2. Other Assets:

Included in other assets is a refundable deposit of \$50,000 with National Financial Services Corporation. This deposit bears interest at the average overnight repurchase agreement rate for the applicable period.

3. Retirement Plan:

The Company maintains a qualified retirement program in accordance with Section 401(k) of the Internal Revenue Code. The Company provided a retirement contribution of \$45,361 for the year ended December 31, 2002. The Plan provides for an employer contribution of 3% of all eligible employees' compensation.

GEORGE McKELVEY CO., INC

Notes to Financial Statements
December 31, 2002

4. Line of Credit:

Effective May 24, 2000, the Company obtained a line of credit, in the amount of \$300,000, from a financial institution. All borrowings are collateralized by various assets of the Company and are personally guaranteed by the Officers-Shareholders. Interest shall accrue at the institution's prime rate. The loan balance due as of December 31, 2002 was zero.

5. Related Party Transaction:

The Company's leased office facility is owned partially by a shareholder of the Company. The rent, which approximates fair market value, is on a month-to-month basis. Rent expense in 2002 was \$54,895.

SUPPLEMENTARY INFORMATION

ROBERT L. DOREMUS
Certified Public Accountant
800 The Plaza
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Sea Girt NJ 08750
Ph. (732) 449-3779
Fax: (732) 974-1706

February 17, 2003

To the Board of Directors
George McKelvey Co., Inc.
529 Washington Boulevard
Sea Girt NJ 08750

I have audited the financial statements of George McKelvey Co., Inc. for the year ended December 31, 2002 and have issued my report thereon dated February 17, 2003. As part of my audit, I made a study and evaluation of the system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards and Rule 17a-5 of the Securities and Exchange Commission. This study and evaluation included the accounting system and the practices and procedures followed by George McKelvey Co., Inc. in making periodic computations of aggregate indebtedness and net capital under Rule 17a3(a)(11). Effective November 9, 1992, the company entered into an agreement with National Financial Services Corporation to clear transactions on a fully disclosed basis for customers and contra-broker accounts. As part of this agreement, National Financial Services Corporation has assumed responsibility for the possession and control of all customer and contra-broker accounts.

My study and evaluation of the system of internal accounting control for the year ended December 31, 2002, which was made for the purposes set forth in the preceding paragraph above and would not necessarily disclose all weaknesses in the system that may have existed during the period, disclosed no weakness that I believe is material.

Robert L. Doremus CPA
ROBERT L. DOREMUS
Certified Public Accountant

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Certified Public Accountant
800 The Plaza
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February 17, 2003

To the Board of Directors
George McKelvey Co., Inc.
529 Washington Boulevard
Sea Girt NJ 08750

In connection with my audit of your records for the twelve months ended December 31, 2002, I wish to report that I found no material inadequacies in the accounting records during that period or in the quarterly reports to the Securities and Exchange Commission in accordance with Rule 17a-5.

Robert L. Doremus CPA
ROBERT L. DOREMUS
Certified Public Accountant

GEORGE McKELVEY CO., INC

Schedule I

Computation of Aggregate Indebtedness and Net Capital
in Accordance with Rule 15c3-1 under the
Securities Exchange Act of 1934
as of December 31, 2002

Computation of Aggregated Indebtedness

Total Liabilities	\$ 70,189
Less Reserve Requirements	<u>0</u>
Total Aggregated Indebtedness	<u>\$ 70,189</u>

Computation of Net Capital

Total Ownership Equity		\$239,346
Additions:		
Liabilities subordinated to claims of general creditors allowable in computation of net capital		<u>265,000</u>
Total Capital and Allowable Subordinated Indebtedness		<u>504,346</u>
Deductions:		
Non-allowable assets -		
Fixed assets net of accumulated depreciation	\$ 31,953	
Other Assets	<u>141,390</u>	<u>173,343</u>
Tentative Net Capital		331,003
Haircut on Trading and Investment Securities		<u>668</u>
Total Net Capital		<u>\$330,335</u>
Percentage of Aggregated Indebtedness to Net Capital after Anticipated Capital Withdrawals		<u>21%</u>

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GEORGE McKELVEY CO., INC

Schedule II

Computation for Determination of Reserve Requirements
Rule 15c3-3 - December 31, 2002

Effective November 9, 1992, the company entered into an agreement with National Financial Services Corporation to clear transactions on a fully disclosed basis for customer and contra-broker accounts. Thus, the Company is exempt from the computation for determination of reserve requirements under Rule 15c3-3.

Robert L. Doremus C.P.A.
ROBERT L. DOREMUS
Certified Public Accountant