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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SO 3/16/04

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

SEC FILE NUMBER  
8- 39420

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

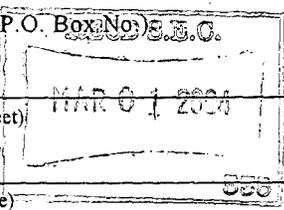
REPORT FOR THE PERIOD BEGINNING 01/01/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Bornhoft Group Securities Corp.

OFFICIAL USE ONLY  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
1660 Lincoln Street, Suite 100  
Denver CO 80264  
(City) (State) (Zip Code)



NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Richard E. Bornhoft (303) 572-1000  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Spicer Jeffries LLP

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

5251 South Quebec Street, Suite 200 - Greenwood Village Colorado 80111  
(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 23 2004

**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)

183-252

OATH OR AFFIRMATION

I, Richard E. Bornhoft, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Bornhoft Group Securities Corp., as of December 31, 2003, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Richard E. Bornhoft

Signature

President

Title

Doris A. Wheeler  
Notary Public *Expiration 3-12-2006*

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 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.
- (o) Independent Auditors' Report on Internal Accounting Control.

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

# BORNHOFT GROUP SECURITIES CORPORATION

## CONTENTS

	<u>Page</u>
Independent Auditors' Report	3
Statement of Financial Condition	4
Statement of Operations	5
Statement of Changes in Shareholder's Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 9
Supplementary Schedule:	
Computation of Net Capital Pursuant to Uniform Net Capital Rule 15c3-1	10
Independent Auditors' Supplementary Report on Internal Accounting Control	11 - 12



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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Bornhoft Group Securities Corporation

We have audited the accompanying statement of financial condition of Bornhoft Group Securities Corporation as of December 31, 2003, and the related statements of operations, changes in shareholder's 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 Bornhoft Group Securities Corporation as of December 31, 2003, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information contained in the supplemental schedule listed in the accompanying table of contents is presented for purposes of additional analysis and is not required for a fair presentation of the financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads 'Spicer Jeffries LLP'.

Greenwood Village, Colorado  
January 12, 2004



BORNHOFT GROUP SECURITIES CORPORATION

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2003

ASSETS

Cash	\$	7 146
Prepaid expenses		11 464
Other assets		<u>237</u>
<b><i>TOTAL ASSETS</i></b>	<b>\$</b>	<b><u>18 847</u></b>

LIABILITIES AND SHAREHOLDER'S EQUITY

**LIABILITIES:**

Accounts payable	\$	<u>-</u>
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**SHAREHOLDER'S EQUITY (Note 2):**

Common stock, no par value; 1,000,000 shares authorized, issued and outstanding		6 000
Additional paid-in capital		147 786
Deficit		<u>(134 939)</u>

***TOTAL SHAREHOLDER'S EQUITY*** 18 847

**\$** **18 847**

**BORNHOFT GROUP SECURITIES CORPORATION**

**STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2003**

**REVENUE:**

Concession and commission income \$ 50 376

**EXPENSES:**

Regulatory fees and expenses 11 827

General and administrative 6 519

Consulting fees (Note 3) 42 584

*Total expenses* 60 930

**NET LOSS**

**\$ (10 554)**

**BORNHOFT GROUP SECURITIES CORPORATION**

**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**  
**YEAR ENDED DECEMBER 31, 2003**

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Deficit</u>
<b>BALANCES, December 31, 2002</b>	\$ 6 000	\$ 138 936	\$ (124 385)
Capital contributed	-	8 850	-
Net loss	<u>-</u>	<u>-</u>	<u>(10 554)</u>
<b>BALANCES, December 31, 2003</b>	<u>\$ 6 000</u>	<u>\$ 147 786</u>	<u>\$ (134 939)</u>

**BORNHOFT GROUP SECURITIES CORPORATION**

**STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2003  
INCREASE (DECREASE) IN CASH**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net loss	\$	(10 554)
Adjustments to reconcile net loss to net cash used in operating activities:		
Increase in prepaid expenses		(1 328)
Decrease in other assets		865
Decrease in accounts payable		<u>(4)</u>
<i>Net cash used in operating activities</i>		(11 021)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Capital contributed		<u>8 850</u>
<b>NET DECREASE IN CASH</b>		(2 171)
<b>CASH, at beginning of year</b>		<u>9 317</u>
<b>CASH, at end of year</b>	<b>\$</b>	<b><u><u>7 146</u></u></b>

## BORNHOFT GROUP SECURITIES CORPORATION

### NOTES TO FINANCIAL STATEMENTS

#### *NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

##### *Nature of Business*

Bornhoft Group Securities Corporation ("the Company") is a Colorado corporation formed on February 11, 1988. The Company conducts business as a broker-dealer in securities. The Company's operations consist of marketing limited partnership interests in private commodity pool and investment partnerships for which an entity affiliated with the Company, through common ownership, serves as the General Partner. In addition, the Company deals in mutual funds and insurance related products.

The Company records securities transactions and related revenue and expenses on a trade date basis.

The Company, under Rule 15c3-3(k)(2)(ii), is exempt from the reserve and possession or control requirements of Rule 15c3-3 of the Securities and Exchange Commission. The Company does not carry or clear customer accounts. Accordingly, all customer transactions are executed and cleared on behalf of the Company by a reintroducing broker-dealer through its clearing broker on a fully disclosed basis. The Company's agreement with its reintroducing broker-dealer provides that its clearing broker will make and keep such records of the transactions effected and cleared in the customer accounts as are customarily made and kept by a clearing broker pursuant to the requirements of Rules 17a-3 and 17a-4 of the Securities and Exchange Act of 1934, as amended (the Act). It also performs all services customarily incident thereto, including the preparation and distribution of customer's confirmations and statements and maintenance margin requirements under the Act and the rules of the Self Regulatory Organizations of which the Company is a member.

##### *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### *Income Taxes*

The Company, with the consent of its shareholder, has elected to be taxed under a section of the federal and state income tax laws, which provide that, in lieu of the corporation income taxes, the shareholder separately accounts for his pro rata share of the Company's items of income, deduction, losses and credits. Therefore, these statements do not include any provision (benefit) for corporation income taxes.

**BORNHOFT GROUP SECURITIES CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

***NOTE 2 - NET CAPITAL REQUIREMENTS***

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. At December 31, 2003, the Company had net capital and net capital requirements of \$7,146 and \$5,000. The Company's net capital ratio (aggregate indebtedness to net capital) was 0 to 1. According to Rule 15c3-1, the Company's net capital ratio shall not exceed 15 to 1.

***NOTE 3 - RELATED PARTY TRANSACTIONS***

The shareholder of the Company also owns a controlling interest in The Bornhoft Group Corporation (TBG) which shares office space and administrative personnel with the Company. The Company paid \$42,584 in consulting fees to TBG during the year ended December 31, 2003.

***NOTE 4 - FINANCIAL INSTRUMENTS AND OFF-BALANCE SHEET RISKS***

In the normal course of business, the Company's clients activities ("clients") through its reintroducing clearing broker involve the execution, settlement, and financing of various client securities transactions. These activities may expose the Company to off-balance sheet risk. In the event the client fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the client's obligations.

The Company's financial instruments, including cash, prepaid expenses, other assets and payables are carried at amounts that approximate fair value due to the short-term nature of those instruments.

**SUPPLEMENTARY INFORMATION**

**BORNHOFT GROUP SECURITIES CORPORATION**

**COMPUTATION OF NET CAPITAL PURSUANT TO UNIFORM  
NET CAPITAL RULE 15c3-1**

**DECEMBER 31, 2003**

**CREDIT:**

Shareholder's equity \$ 18 847

**DEBITS:**

Nonallowable assets:

Prepaid expenses 11 464

Other assets 237

*Total debits* 11 701

**NET CAPITAL** 7 146

Minimum requirements of 6-2/3% of aggregate indebtedness of  
\$-0- or \$5,000, whichever is greater 5 000

*Excess net capital* \$ 2 146

**AGGREGATE INDEBTEDNESS:**

Accounts payable \$ -

**RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL** 0 to 1

NOTE: There are no material differences in the above computation of net capital with that included in the Company's corresponding unaudited Form X-17A-5 Part II filing.



SPICER JEFFRIES LLP

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5

The Board of Directors  
Bornhoft Group Securities Corporation

In planning and performing our audit of the financial statements and supplemental schedule of Bornhoft Group Securities Corporation for the year ended December 31, 2003, we considered its internal control structure, including procedures 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 the internal control structure.

Also, as required by Rule 17a5(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 Bornhoft Group Securities Corporation that we considered relevant to the objectives stated in Rule 17a-5(g), (i) in making the periodic computations or aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3; and (ii) for safeguarding the occasional receipt of securities and cash until promptly transmitted to the Company's clearing organizations. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or 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, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures 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 an internal control structure 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 the 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 any internal control structure 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. This report recognizes that it is not practicable in an organization the size of Bornhoft Group Securities Corporation to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control and that alternatively greater reliance must be placed on surveillance by management.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure elements 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 no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

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, 2003 to meet the Commission's objectives.

In addition, our review indicated that Bornhoft Group Securities Corporation was in compliance with the conditions of exemption from Rule 15c3-3 pursuant to paragraph k(2)(ii) as of December 31, 2003, and no facts came to our attention to indicate that such conditions had not been complied with during the year.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange, Inc., and other regulatory agencies with rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

A handwritten signature in black ink that reads "Spicer Jeffries LLP". The signature is written in a cursive, flowing style.

Greenwood Village, Colorado  
January 12, 2004