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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

SEC FILE NUMBER
8-29728

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 01-01-2004 AND ENDING 12-31-2004
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Frederick J. Pilgrim dba
Pilgrim Financial Services
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY
FIRM I.D. NO.

8622 Swan Drive

(No. and Street)

Kalamazoo

(City)

MI

(State)

49009

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Frederick J. Pilgrim 269-372-1829
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Robert L. Pastine

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

802 Main St.

(Address)

Toms River

(City)

NJ

(State)

08753

(Zip Code)

CHECK ONE:

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

PROCESSED
MAR 14 2005
THOMSON FINANCIAL
RECEIVED
FEB 18 2005
WASHINGTON SECTION

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 basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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.

OATH OR AFFIRMATION

I, Frederick J. Pilgrim, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Pilgrim Financial Services, as of Dec. 31, 2004, 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:

Frederick J. Pilgrim
Signature
DR-OWNER
Title

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).

MARY A. HOAG
Notary Public, Cass County, MI
My Commission Expires Aug. 18, 2008

Mary A. Hoag

FORM X-17A-5	<h1 style="margin: 0;">FOCUS REPORT</h1> <p style="margin: 5px 0;">(Financial and Operational Combined Uniform Single Report)</p> <p style="margin: 5px 0;">Part IIA Quarterly 17a-5(a)</p> <p style="margin: 5px 0;">ANNUAL</p> <p style="margin: 0;">INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17</p>
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COVER

Select a filing method:

Basic Alternate [0011]

Name of Broker Dealer: PILGRIM FINANCIAL SERVICES
[0013]

SEC File Number: 8-29728
[0014]

Address of Principal Place of Business: 8622 SWAN DRIVE
[0020]

KALAMAZOO MI 49009-
[0021] [0022] 4563
[0023]

Firm ID: 13613
[0015]

For Period Beginning 01-01-2004 And Ending 12-31-2004
[0024] [0025]

Name and telephone number of person to contact in regard to this report:

Name: FREDERICK J. PILGRIM Phone: (269) 372-1829
[0030] [0031]

Name(s) of subsidiaries or affiliates consolidated in this report:

Name: _____ Phone: _____
[0032] [0033]

Name: _____ Phone: _____
[0034] [0035]

Name: _____ Phone: _____
[0036] [0037]

Name: _____ Phone: _____
[0038] [0039]

Does respondent carry its own customer accounts? Yes [0040] No [0041]

Check here if respondent is filing an audited report [0042]

ASSETS

Consolidated [0198]		Unconsolidated [0199]			
		Allowable	Non-Allowable	Total	
1.	Cash	<u>7601</u>		<u>7601</u>	0
		[0200]		[0750]	
2.	Receivables from brokers or dealers:				
A.	Clearance account	_____			
		[0295]			
B.	Other	_____	_____	_____	0
		[0300]	[0550]	[0810]	
3.	Receivables from non-customers	_____	_____	_____	0
		[0355]	[0600]	[0830]	
4.	Securities and spot commodities owned, at market value:				
A.	Exempted securities	_____			
		[0418]			
B.	Debt securities	_____			
		[0419]			
C.	Options	_____			
		[0420]			
D.	Other securities	_____			
		[0424]			
E.	Spot commodities	_____		_____	0
		[0430]		[0850]	
5.	Securities and/or other investments not readily marketable:				
A.	At cost	_____			
		[0130]			
		<u>18900</u>			
B.	At estimated fair value	_____	<u>18900</u>	<u>18900</u>	0
		[0440]	[0610]	[0860]	
6.	Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:				
A.	Exempted securities	_____			
		[0460]	[0630]	[0880]	

		[0150]			
B.	Other securities	_____			
		[0160]			
7.	Secured demand notes market value of collateral:	_____	_____	_____	0
		[0470]	[0640]	[0890]	
A.	Exempted securities	_____			
		[0150]			

		[0170]		
	B. Other securities			
		[0180]		
8.	Memberships in exchanges:			
	A. Owned, at market			
		[0190]		
	B. Owned, at cost		[0650]	
	C. Contributed for use of the company, at market value		[0660]	0 [0900]
9.	Investment in and receivables from affiliates, subsidiaries and associated partnerships	[0480]	[0670]	0 [0910]
10.	Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization	[0490]	[0680]	0 [0920]
11.	Other assets	[0535]	[0735]	0 [0930]
12.	TOTAL ASSETS	<u>7601</u> [0540]	<u>18900</u> [0740]	<u>26501</u> [0940]

2. Includes equity subordination (15c3-1(d)) of

	[1010]		
D.	Exchange memberships contributed for use of company, at market value	[1430]	0 [1740]
E.	Accounts and other borrowings not qualified for net capital purposes	[1220] [1440]	0 [1750]
20.	TOTAL LIABILITIES	0 [1230]	0 [1450] [1760]

Ownership Equity

		Total
21.	Sole proprietorship	<u>26501</u> [1770]
22.	Partnership (limited partners [1020])	[1780]
23.	Corporations:	
A.	Preferred stock	[1791]
B.	Common stock	[1792]
C.	Additional paid-in capital	[1793]
D.	Retained earnings	[1794]
E.	Total	0 [1795]
F.	Less capital stock in treasury	[1796]
24.	TOTAL OWNERSHIP EQUITY	<u>26501</u> [1800]
25.	TOTAL LIABILITIES AND OWNERSHIP EQUITY	<u>26501</u> [1810]

17.	Net Income(loss) before Federal Income taxes and items below (Item 9 less Item 16)	<u>16913</u>	[4210]
18.	Provision for Federal Income taxes (for parent only)		[4220]
19.	Equity in earnings (losses) of unconsolidated subsidiaries not included above		[4222]
	a. After Federal income taxes of		[4238]
20.	Extraordinary gains (losses)		[4224]
	a. After Federal income taxes of		[4239]
21.	Cumulative effect of changes in accounting principles		[4225]
22.	Net income (loss) after Federal income taxes and extraordinary items	<u>16913</u>	[4230]
MONTHLY INCOME			
23.	Income (current monthly only) before provision for Federal income taxes and extraordinary items	<u>400</u>	[4211]

COMPUTATION OF NET CAPITAL

1.	Total ownership equity from Statement of Financial Condition		<u>26501</u>	[3480]
2.	Deduct ownership equity not allowable for Net Capital			[3490]
3.	Total ownership equity qualified for Net Capital		<u>26501</u>	[3500]
4.	Add:			
A.	Liabilities subordinated to claims of general creditors allowable in computation of net capital			0 [3520]
B.	Other (deductions) or allowable credits (List)			
		<u> </u>		[3525A]
		<u> </u>		[3525B]
		<u> </u>		[3525C]
		<u> </u>		[3525D]
		<u> </u>		[3525E]
		<u> </u>		[3525F]
5.	Total capital and allowable subordinated liabilities		<u>26501</u>	0 [3525] [3530]
6.	Deductions and/or charges:			
A.	Total nonallowable assets from Statement of Financial Condition (Notes B and C)	<u>18900</u>		[3540]
B.	Secured demand note deficiency			[3590]
C.	Commodity futures contracts and spot commodities - proprietary capital charges			[3600]
D.	Other deductions and/or charges		<u>-18900</u>	[3610] [3620]
7.	Other additions and/or credits (List)			
		<u> </u>		[3630A]
		<u> </u>		[3630B]
		<u> </u>		[3630C]
		<u> </u>		[3630D]
		<u> </u>		[3630E]
		<u> </u>		[3630F]
8.	Net capital before haircuts on securities positions		<u>7601</u>	0 [3630] [3640]
9.	Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):			
A.	Contractual securities commitments			[3660]
B.	Subordinated securities borrowings			[3670]
C.	Trading and investment securities:			
1.	Exempted securities			[3735]
2.	Debt securities			[3733]
3.	Options			[3730]
4.	Other securities			[3734]

OTHER RATIOS

21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)

% _____ [3860]

SCHEDULED WITHDRAWALS

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual	Name of Lender or Contributor	Insider or Outsider	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	Withdrawal or Maturity Date (MMDDYYYY)	Expect to Renew
[4600]	[4601]	[4602]	[4603]	[4604]	[4605]
[4610]	[4611]	[4612]	[4613]	[4614]	[4615]
[4620]	[4621]	[4622]	[4623]	[4624]	[4625]
[4630]	[4631]	[4632]	[4633]	[4634]	[4635]
[4640]	[4641]	[4642]	[4643]	[4644]	[4645]
[4650]	[4651]	[4652]	[4653]	[4654]	[4655]
[4660]	[4661]	[4662]	[4663]	[4664]	[4665]
[4670]	[4671]	[4672]	[4673]	[4674]	[4675]
[4680]	[4681]	[4682]	[4683]	[4684]	[4685]
[4690]	[4691]	[4692]	[4693]	[4694]	[4695]
		TOTAL	0		
		\$			
				[4699]	

Omit Pennies

Instructions Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

Withdrawal Code	Description
1	Equity Capital
2	Subordinated Liabilities
3	Accruals
4	15c3-1(c)(2)(iv) Liabilities

1-20-05

STATEMENT OF CHANGES

STATEMENT OF CHANGES IN OWNERSHIP EQUITY
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

1.	Balance, beginning of period		<u>27588</u>	
				[4240]
A.	Net income (loss)		<u>16913</u>	0
				[4250]
B.	Additions (includes non-conforming capital of		<u>44501</u>	
		[4262])		[4260]
C.	Deductions (includes non-conforming capital of	<u>18000</u>	<u>-18000</u>	
		[4272])		[4270]
2.	Balance, end of period (From item 1800)		<u>26501</u>	0
				[4290]

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS

3.	Balance, beginning of period			
				[4300]
A.	Increases			
				[4310]
B.	Decreases			
				[4320]
4.	Balance, end of period (From item 3520)			0
				[4330]

PILGRIM FINANCIAL SERVICES

FINANCIAL STATEMENTS

DECEMBER 31, 2004

Robert L. Pastine
Accountant & Auditor

Robert L. Pastine

Accountant & Auditor
802 Main Street • Suite 4-A
Toms River, NJ 08753
(732) 240-9090
Fax (732) 240-9097
Email: pastine@americom.net

February 1, 2005

Fred Pilgrim
Pilgrim Financial Services
8622 Swan Blvd.
Kalamazoo, MI 49009

Dear Mr. Pilgrim:

I have examined the accompanying statement of assets and liabilities arising from cash transactions of Pilgrim Financial Services as of December 31, 2004 the related statement of revenue collected and expenses paid in accordance with standards established by the American Institute of Certified Public Accounts.

The accompanying financial statements fairly reflect the financial position and the results of operations on the cash basis of Pilgrim Financial Services for the year ended December 31, 2004.

Pilgrim Financial Services does not physically possess or control any customer securities or funds. Pilgrim Financial Services is, therefore, operating pursuant to the K(1) exemption of SEC Rule 15c3-3.

Therefore internal control consists of getting checks from the mail to the bank. No material inadequacies were uncovered in this function.

The only investments at December 31, 2004 were a checking account and 1,500 shares of NASDAQ Stock Market, Inc. All other investments were liquidated during the year 2001. The ownership equity reflected in the broker/dealer unaudited report Part II is \$ 25,001.

The application of Pilgrim Financial Services for exclusion from membership in SPIC under the Securities Investor Protection Act of 1970 is properly qualified by the nature of Pilgrim Financial Services' operating for the year 2003. Form SPIC-3 was timely filed with SPIC, 900 Seventeenth street, Suite 800, Washington, D.C. 20006.



PILGRIM FINANCIAL SERVICES

STATEMENT OF ASSETS, LIABILITIES & NET WORTH
ARISING FROM CASH TRANSACTIONS

DECEMBER 31, 2004

EXHIBIT A

ASSETS

Cash in bank	\$ 7,601	
Investments	<u>18,900</u>	
TOTAL ASSETS		<u>\$ 26,501</u>

LIABILITIES & NET WORTH

LIABILITIES

Accrued expenses	\$ 1,500
------------------	----------

NET WORTH

Balance, January 1, 2004	\$ 26,088	
Additions:		
Net income for the year	16,913	
Deductions:		
Withdrawals	<u>(18,000)</u>	
NET WORTH		<u>\$ 25,001</u>
TOTAL LIABILITIES & NET WORTH		<u>\$ 26,501</u>

“See Accompanying Notes & Accountant’s Report”

Robert L. Pastine
Accountant & Auditor

STATEMENTS OF REVENUE COLLECTED
AND EXPENSES PAID
FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

EXHIBIT B

INCOME:	<u>2004</u>	<u>2003</u>
Commissions	\$ 23,373	\$ 30,652
Interest Income	-0-	10
Refunds from NASD	<u>-0-</u>	<u>262</u>
Total Income	\$ 23,373	\$ 30,924
EXPENSES:		
Commissions paid	\$ 3,815	\$ 11,446
Other Expenses	2,645	2,628
Accrued expenses	<u>-0-</u>	<u>1,500</u>
Total Expenses	\$ <u>6,460</u>	\$ <u>15,573</u>
NET CASH BASIS INCOME, FOR THE YEAR, LESS MANDATED NASD ACCRUAL	\$ 16,913	\$ 15,350
UNREALIZED INCREASE IN MARKET VALUE SECURITIES	<u>-0-</u>	<u>-0-</u>
NET INCOME REPORTED TO NASD	\$ <u>16,913</u>	\$ <u>15,350</u>

STATEMENTS OF CHANGES IN FINANCIAL CONDITION
FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

EXHIBIT C

	<u>2004</u>	<u>2003</u>
Cash	\$ 7,601	\$ 8,688
Securities		
Cost	18,900	18,900
Unrealized increase (decrease) in market value	<u>-0-</u>	<u>-0-</u>
TOTAL ASSETS	\$ <u>26,501</u>	\$ <u>27,588</u>
EQUITY	\$ <u>26,501</u>	\$ <u>27,588</u>

"See Accompanying Notes & Accountant's Report"

Robert L. Pastine
Accountant & Auditor

PILGRIM FINANCIAL SERVICES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

EXHIBIT D

	<u>2004</u>	<u>2003</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash from operations	\$ 16,913	\$ 15,350
Accrued expenses	-0-	1,500
Less: withdrawals	<u>(18,000)</u>	<u>(17,000)</u>
Net cash from operations	\$(1,087)	\$ (150)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Subtractions from investments	<u>-0-</u>	<u>-0-</u>
NET INCREASE (DECREASE) IN CASH	\$ 1,087)	\$ (150)
CASH AT BEGINNING OF YEAR	\$ <u>8,688</u>	\$ <u>8,838</u>
CASH AT END OF YEAR	\$ <u>7,601</u>	\$ <u>8,688</u>

“See Accompanying Notes & Accountant’s Report”

Robert L. Pastine
Accountant & Auditor

PILGRIM FINANCIAL SERVICES
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

Pilgrim Financial Services is a small investment service company whose assets on December 31, 2004 consisted of a cash account and 1,500 shares of NASDAQ Stock Market, Inc.. Under the circumstances direct communications with the bank and investment holder were not considered necessary. I satisfied myself as to the existence of the assets as follows:

A statement supplied by the bank for December 31, 2004 evidenced cash in bank. The balance shown on that statement for December 31, 2004 was identical to the book balance on December 31, 2004.

Fred Pilgrim's investment in NASDAQ Stock Market, Inc. is reflected on the statement of assets & liabilities arising from cash transactions Exhibit A at cost.

0267 300 shares \$ 3,300.00
5646 1200 shares \$ 15,600.00

"SEE ACCOMPANYING NOTES & ACCOUNTANT'S REPORT"

Robert L. Pastine
Accountant & Auditor