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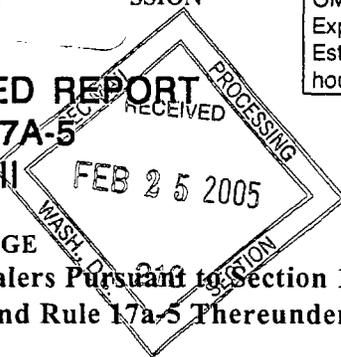
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ANNUAL AUDITED REPORT
 FORM X-17A-5
 PART III



SEC FILE NUMBER
 8-52062

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 01/01/04 AND ENDING 12/31/04
 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: PFA Security Asset Management, Inc.

OFFICIAL USE ONLY
 FIRM I.D. NO.

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

704 Lisburn Road, Suite 102

Camp Hill
 (City)

PA
 (State)

17011
 (Zip Code)

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

Charity A. Shewer

(717) 761-4646
 (Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Seligman, Friedman + Company, P.C.
 (Name - if individual, state last, first, middle name)

1027 Mumma Rd.
 (Address)

Normleysburg
 (City)

PA
 (State)

17045
 (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

FOR OFFICIAL USE ONLY

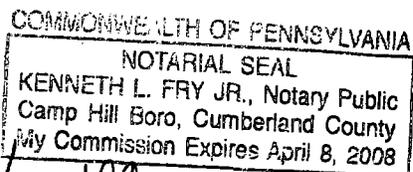
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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, Charity A. Shawver, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of PEA Security Asset Management, Inc., as of December 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:



Kenneth L. Fry Jr. 2-24-05
Notary Public

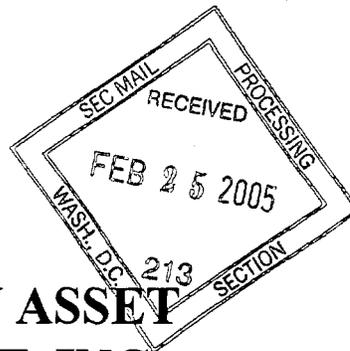
[Signature]
Signature

Financial + Operations Principal
Title

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).



**PFA SECURITY ASSET
MANAGEMENT, INC.**

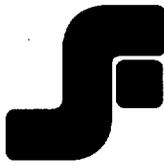
FINANCIAL STATEMENTS
With Supplementary Information

YEARS ENDED DECEMBER 31, 2004 AND 2003

PFA SECURITY ASSET MANAGEMENT, INC.

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INDEPENDENT AUDITORS' REPORT

To the Stockholders

PFA Security Asset Management, Inc.

704 Lisburn Road, Suite 102
Camp Hill, Pennsylvania 17011

We have audited the Balance Sheets of **PFA Security Asset Management, Inc.** as of December 31, 2004 and 2003, and the related Statements of Income, Changes in Stockholders' Equity, and Cash Flows for the years then ended. The financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the 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 **PFA Security Asset Management, Inc.** as of December 31, 2004 and 2003, and the results of its operations and cash flows for the years then ended in conformity with auditing standards generally accepted in the United States of America.

Seligman Friedman & Company P.C.

Harrisburg, Pennsylvania
January 18, 2005

PFA SECURITY ASSET MANAGEMENT, INC.

BALANCE SHEETS

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 24,561	\$ 28,985
Accounts Receivable	5,425	4,803
TOTAL ASSETS	<u>\$ 29,986</u>	<u>\$ 33,788</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accounts Payable	\$ 16,515	\$ 20,316
STOCKHOLDERS' EQUITY		
Common Stock - No Par Value; 1,000 Shares Authorized; 100 Shares Issued and Outstanding	1,000	1,000
Additional Paid-In Capital	43,816	41,466
Accumulated Deficit	(31,345)	(28,994)
TOTAL STOCKHOLDERS' EQUITY	<u>13,471</u>	<u>13,472</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 29,986</u>	<u>\$ 33,788</u>

See independent auditors' report and accompanying notes.

PFA SECURITY ASSET MANAGEMENT, INC.

STATEMENTS OF INCOME

	<u>Year Ended December 31, 2004</u>		<u>Year Ended December 31, 2003</u>	
	<u>Amount</u>	<u>% of Income</u>	<u>Amount</u>	<u>% of Income</u>
COMMISSION INCOME	\$ 678,295	100.0	\$ 504,549	100.0
OPERATING EXPENSES	680,646	100.3	506,234	100.7
NET LOSS	<u>\$ (2,351)</u>	<u>(0.3)</u>	<u>\$ (1,685)</u>	<u>(0.7)</u>

See independent auditors' report and accompanying notes.

PFA SECURITY ASSET MANAGEMENT, INC.

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
BALANCE - December 31, 2001	\$ 1,000	\$ 39,122	\$ (27,309)	\$ 12,813
NET LOSS			(1,685)	(1,685)
CONTRIBUTION OF CAPITAL		2,344		2,344
BALANCE - December 31, 2003	1,000	41,466	(28,994)	13,472
NET LOSS			(2,351)	(2,351)
CONTRIBUTION OF CAPITAL		2,350		2,350
BALANCE - December 31, 2004	<u>\$ 1,000</u>	<u>\$ 43,816</u>	<u>\$ (31,345)</u>	<u>\$ 13,471</u>

See independent auditors' report and accompanying notes.

PFA SECURITY ASSET MANAGEMENT, INC.

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$ (2,351)	\$ (1,685)
Adjustments to Reconcile Net Loss to Net Cash Provided (Used) by Operating Activities		
(Increase) Decrease in		
Accounts Receivable	(622)	11,468
Prepaid Expenses	0	72
Increase (Decrease) in		
Accounts Payable	(3,801)	4,046
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(6,774)	13,901
NET CASH PROVIDED BY FINANCING ACTIVITIES		
Additional Paid-in Capital	2,350	2,344
NET INCREASE (DECREASE) IN CASH	(4,424)	16,245
CASH AND CASH EQUIVALENTS - BEGINNING	28,985	12,740
CASH AND CASH EQUIVALENTS - ENDING	\$ 24,561	\$ 28,985
SUPPLEMENTAL DISCLOSURES		
Interest Paid	\$ 0	\$ 0
Income Taxes Paid	\$ 0	\$ 0

See independent auditors' report and accompanying notes.

PFA SECURITY ASSET MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

PFA Security Asset Management, Inc. was incorporated in the State of Arizona on July 20, 1999. PFA Security Asset Management, Inc. is registered as a broker-dealer under the U.S. Securities Exchange Act of 1934. The corporate operations are limited to investment company products and variable insurance contracts.

Accounting Method and Revenue Recognition

The financial statements reflect the accrual method of accounting. Revenue is recognized when earned and expenses are recognized when incurred.

Accounts Receivable and Bad Debt

The Corporation writes-off any accounts deemed to be uncollectible. Potential bad debt at the end of the period is immaterial in relation to total accounts receivable. Therefore, a reserve for doubtful accounts has not been established.

Income Taxes

The Corporation has elected taxation as a Subchapter S Corporation for federal and state income tax purposes. Consequently, tax liabilities are the responsibility of the Corporation's stockholders. Therefore, no income tax provision is reflected in the financial statements.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PFA SECURITY ASSET MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Corporation considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

2. CONCENTRATION OF CREDIT RISKS

The Corporation primarily transacts business within Pennsylvania. Fluctuations in the economic conditions within the Commonwealth could affect the Corporation's ability to acquire and retain clients.

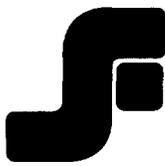
3. NET CAPITAL REQUIREMENTS

The Corporation 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 aggregated indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides 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, 2004, the Corporation had net capital of \$13,471, which was \$8,471 in excess of its required net capital of \$5,000. The Corporation's net capital ratio was 1.51 to 1 at December 31, 2004. At December 31, 2003, the Corporation had net capital of \$13,472, which was \$8,472 in excess of its required net capital of \$5,000. The Corporation's net capital ratio was 1.51 to 1 at December 31, 2003.

4. RELATED PARTY TRANSACTIONS

All of the Corporation's commission expenses are paid to certain stockholders of the Corporation. Commission expenses were \$678,295 and \$500,293 for the years ended December 31, 2004 and 2003, respectively. Commission expenses due to certain stockholders at December 31, 2004 were \$20,316.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION REQUIRED BY RULE 17a-5
OF THE SECURITIES AND EXCHANGE COMMISSION**

To the Stockholders
PFA Security Asset Management, Inc.
704 Lisburn Road, Suite 102
Camp Hill, Pennsylvania 17011

We have audited the accompanying financial statements of **PFA Security Asset Management, Inc.** as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated January 18, 2005. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the accompanying schedules are 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 U.S. 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.

Seligman Friedman & Company P.C.

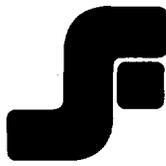
Harrisburg, Pennsylvania
January 18, 2005

PFA SECURITY ASSET MANAGEMENT, INC.

**SCHEDULES OF COMPUTATION OF NET CAPITAL
UNDER RULE 15c3-1 OF THE SECURITIES AND
EXCHANGE COMMISSION AS OF DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
NET CAPITAL		
Stockholders' Equity	\$ 13,471	\$ 13,472
NET CAPITAL	<u>\$ 13,471</u>	<u>\$ 13,472</u>
 AGGREGATE INDEBTEDNESS		
Accounts Payable	<u>\$ 16,515</u>	<u>\$ 20,316</u>
 COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS		
Minimum Net Capital Required		
Company (Aggregated Indebtedness x 6.67 Percent)	\$ 1,102	\$ 1,355
Minimum Dollar Net Capital Required	<u>\$ 5,000</u>	<u>\$ 5,000</u>
 Net Capital	\$ 13,471	\$ 13,472
Less: Minimum Dollar Net Capital Required	5,000	5,000
Excess Net Capital	<u>\$ 8,471</u>	<u>\$ 8,472</u>
 Net Capital	\$ 13,471	\$ 13,472
Aggregate Indebtedness x 10 Percent	1,652	2,032
Excess Net Capital at 1,000 Percent	<u>\$ 11,820</u>	<u>\$ 11,440</u>
 Ratio: Aggregate Indebtedness to Net Capital	<u>\$ 1.23</u>	<u>\$ 1.51</u>
 RECONCILIATION WITH CORPORATION'S COMPUTATION		
(Included in Part IIA of Form X-17a-5 as of December 31, 2004)		
Net Capital - As Reported in Corporation's Part IIA (Unaudited)		
FOCUS Report	\$ 13,471	\$ 13,472
Adjustments	0	0
NET CAPITAL PER ABOVE	<u>\$ 13,471</u>	<u>\$ 13,472</u>

See independent auditors' report on supplementary information.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

To the Stockholders

PFA Security Asset Management, Inc.

704 Lisburn Road, Suite 102

Camp Hill, Pennsylvania 17011

In planning and performing our audit of the financial statements of **PFA Security Asset Management, Inc.** for the years ended December 31, 2004 and 2003, 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 and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation has responsibility are safeguarded against loss from unauthorized use of 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 accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control of 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.

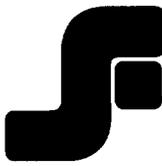
Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific 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 no matters involving internal control, including control activities 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 SEC to be adequate for its purposes in accordance with the U.S. Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate an material inadequacy for such purposes. Based upon this understanding and on our study, we believe that the Corporation's practices and procedures were adequate at December 31, 2004 and 2003 to meet the SEC's objectives.

This report is intended solely for the information and use of the board of directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the U.S. Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Seligman Friedman & Company P.C.

Harrisburg, Pennsylvania
January 18, 2005



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**INDEPENDENT AUDITORS' REPORT ON EXEMPTION
FROM PROVISIONS FOR DETERMINATION OF RESERVE
REQUIREMENTS PURSUANT TO SECURITIES AND
EXCHANGE COMMISSION RULE 15c3-3**

To the Stockholders
PFA Security Asset Management, Inc.
704 Lisburn Road, Suite 102
Camp Hill, Pennsylvania 17011

Pursuant to our audit of the financial statements of **PFA Security Asset Management, Inc.** as of and for the years ended December 31, 2004 and 2003, we applied additional procedures regarding the Corporation's compliance with maintaining required customer reserves pursuant to Securities and Exchange Commission Rule 15c3-3.

Management believes that the Corporation is exempt for the provisions and requirements of 15c3-3 under paragraph K-(1) of that rule. Transactions are limited to mutual funds, annuities, and liquidating sales in which the proceeds are immediately used to purchase investment company products. The Corporation does not carry securities accounts for customers or perform custodial functions relating to custodial securities.

In conducting our audit in accordance with auditing standards generally accepted in the United States of America, including supplementary information required by Rule 17a-5 of the Securities and Exchange Commission, we noted no instances of noncompliance with the exemption from provisions identified in paragraph K-(1) of Rule 15c3-3.

Seligman Friedman & Company P.C.

Harrisburg, Pennsylvania
January 18, 2005