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

MAR 23 2005

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FINANCIAL

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| SEC FILE NUMBER |
| <b>817597</b>   |

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, 2004 AND ENDING December 31, 2004  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **George McKelvey Co., Inc.**

|                   |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM I.D. NO.     |

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

**529 Washington Boulevard**

(No. and Street)

**Sea Girt**

(City)

**New Jersey**

(State)

**08750**

(Zip Code)

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

**Robert G. McKelvey**

**(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**

(Address)

**Sea Girt**

(City)

**New Jersey**

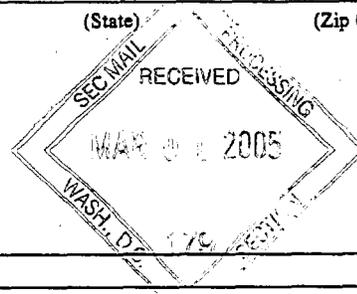
(State)

**08750**

(Zip Code)

CHECK ONE:

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



**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)

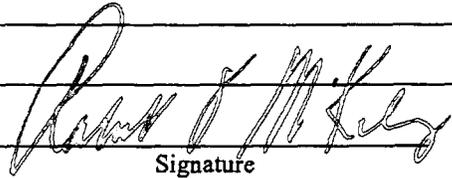
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SEC 1410 (06-02)

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, Robert G. McKelvey, 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, 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:

  
Signature

President

Title

Sworn to and subscribed  
before me this  
23<sup>rd</sup> day of FEB., 2005

  
Notary Public

MARY CLAUDIA GATHMAN  
NOTARY PUBLIC OF NEW JERSEY  
Commission Expires 3/26/2008

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).

**GEORGE McKELVEY CO., INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2004**

**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 18, 2005

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, 2004, 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, 2004. 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, 2004 and the results of its operations and its cash flows for the year ended December 31, 2004 in conformity with generally accepted accounting principles.

*Robert L. Doremus* (PA)  
ROBERT L. DOREMUS, CPA

GEORGE McKELVEY CO., INC.

Statement of Financial Condition

December 31, 2004

Assets

Current Assets

|                                           |                  |
|-------------------------------------------|------------------|
| Cash                                      | \$ 32,042        |
| Receivable from Clearing Broker           | 58,611           |
| Receivables from Investment Advisory Fees | 1,234,328        |
| Temporary Investments                     | 10,709           |
| Other                                     | 64,321           |
|                                           | <u>1,400,011</u> |

Securities Pledged under Subordination Agreement 300,000

Fixed Assets

|                                |                |
|--------------------------------|----------------|
| Fixtures and Equipment at Cost | 430,080        |
| Less Accumulated Depreciation  | <u>402,966</u> |
|                                | <u>27,114</u>  |

Total Assets \$1,727,125

Liabilities and Stockholders' Equity

Current Liabilities

|                                   |                  |
|-----------------------------------|------------------|
| Note Payable - Bank               | \$ 30,000        |
| Unearned Investment Advisory Fees | 1,019,250        |
| Other                             | 86,345           |
|                                   | <u>1,135,595</u> |

Liabilities Subordinated to Claims of General Creditors

|                                                                                                                                |                |
|--------------------------------------------------------------------------------------------------------------------------------|----------------|
| (Notes collateralized by securities with a market value of \$713,008 and collateral value as defined by the NASD of \$487,156) | <u>300,000</u> |
|--------------------------------------------------------------------------------------------------------------------------------|----------------|

Stockholders' Equity

|                   |                |
|-------------------|----------------|
| Capital Stock     | 25,000         |
| Paid-In Capital   | 48,167         |
| Retained Earnings | <u>218,363</u> |
|                   | <u>291,530</u> |

Total Liabilities and Stockholders' Equity \$1,727,125

See Accountant's Report and Notes to Financial Statements

GEORGE MCKELVEY CO., INC.

Statement of Income  
For the Year Ended December 31, 2004

Revenues

|                          |                  |
|--------------------------|------------------|
| Commissions              | \$ 781,449       |
| Investment Advisory Fees | 2,279,620        |
| Other                    | <u>276,492</u>   |
| Total Revenues           | <u>3,337,561</u> |

Expenses

|                                          |                  |
|------------------------------------------|------------------|
| Salaries and Other Employment Costs      |                  |
| For Voting Stockholder Officers          | 1,402,227        |
| Other Employee Compensation and Benefits | 1,269,147        |
| Commissions Paid to Other Broker-Dealers | 152,134          |
| Regulatory Fees and Expenses             | 16,951           |
| Depreciation                             | 26,000           |
| Other Expenses                           | <u>424,906</u>   |
| Total Expenses                           | <u>3,291,365</u> |
| Net Income                               | <u>\$ 46,196</u> |

See Accountant's Report and Notes to Financial Statements

GEORGE McKELVEY CO., INC.

Statement of Cash Flows  
For the Year Ended December 31, 2004

Cash Flows From Operating Activities

Net Income \$ 46,196

Adjustments to Reconcile Net Income to Net Cash From  
Operating Activities:

Depreciation 26,000

Decrease in Receivable from Clearing Brokers 5,774

Increase in Receivables from Investment Advisory Fees (376,746)

Decrease in Other Current Assets 4,889

Increase in Unearned Investment Advisory Fees 307,234

Increase in Other Current Liabilities 27,360

Total Adjustments ( 5,489)

Net Cash From Operating Activities 40,707

Cash Flows Used by Investing Activities

Purchases of Fixed Assets ( 9,490)

Increase in Temporary Investments ( 2,613)

Net Cash Used by Investing Activities ( 12,103)

Cash Flows Used by Financing Activities

Paydown of Note Payable - Bank ( 50,000)

Proceeds from Note Payable - Bank 30,000

Net Cash Used by Financing Activities ( 20,000)

Net Increase in Cash 8,604

Cash at Beginning of Year 23,438

Cash at End of Year \$ 32,042

See Accountant's Report and Notes to Financial Statements

GEORGE McKELVEY CO., INC.

Statement of Changes in Stockholders' Equity  
Year Ended December 31, 2004

|                         | <u>Capital<br/>Stock</u> | <u>Paid-In<br/>Capital</u> | <u>Retained<br/>Earnings</u> | <u>Total</u>     |
|-------------------------|--------------------------|----------------------------|------------------------------|------------------|
| Balance - Jan. 1, 2004  | \$ 25,000                | \$ 48,167                  | \$ 172,167                   | \$245,334        |
| Net Income              | <u>      -</u>           | <u>      -</u>             | <u>  46,196</u>              | <u>  46,196</u>  |
| Balance - Dec. 31, 2004 | <u>\$25,000</u>          | <u>\$48,167</u>            | <u>\$218,363</u>             | <u>\$291,530</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, 2004

|                                              |                  |
|----------------------------------------------|------------------|
| Subordinated Liabilities - Beginning of Year | \$300,000        |
| Changes in Subordinated Liabilities          | <u>0</u>         |
| Subordinated Liabilities - End of Year       | <u>\$300,000</u> |

See Accountant's Report and Notes to Financial Statements

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# GEORGE McKELVEY CO., INC

## Notes to Financial Statements

December 31, 2004

### 1. Accounting Policies:

- (a) Securities transactions and related commission revenues and expenses are recorded on a settlement 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, 2004, the Company's net capital ratio of aggregate indebtedness to net capital was .41 to 1 and its net capital totaled \$329,034 and exceeded the net capital requirement by \$79,034.
- (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 \$44,971 for the year ended December 31, 2004. The Plan provides for an employer contribution of 3% of all eligible employees' compensation.

# GEORGE McKELVEY CO., INC

## Notes to Financial Statements

December 31, 2004

4. Note Payable - Bank:

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 Bank's prime lending rate (5.25% as of December 31, 2004). The loan balance due as of December 31, 2004 was \$30,000.

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 2004 was \$101,771.

**SUPPLEMENTARY INFORMATION**

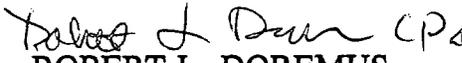
**ROBERT L. DOREMUS**  
Certified Public Accountant  
800 Thé Plaza  
P. O. Box 162  
Sea Girt NJ 08750  
Ph. (732) 449-3779  
Fax: (732) 974-1706

February 18, 2005

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, 2004 and have issued my report thereon dated February 18, 2005. 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, 2004, 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**  
Certified Public Accountant

**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 18, 2005

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, 2004, 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, 2004

Computation of Aggregated Indebtedness

|                                           |                   |
|-------------------------------------------|-------------------|
| Total Aggregated Indebtedness Liabilities | \$ 134,645        |
| Less Reserve Requirements                 | <u>0</u>          |
| Total Aggregated Indebtedness             | <u>\$ 134,645</u> |

Computation of Net Capital

|                                                                                                    |                |                  |
|----------------------------------------------------------------------------------------------------|----------------|------------------|
| Total Ownership Equity                                                                             |                | \$291,530        |
| Additions:                                                                                         |                |                  |
| Liabilities subordinated to claims of general<br>creditors allowable in computation of net capital |                | <u>300,000</u>   |
| Total Capital and Allowable Subordinated<br>Indebtedness                                           |                | <u>591,530</u>   |
| Deductions:                                                                                        |                |                  |
| Non-allowable assets -                                                                             |                |                  |
| Fixed assets net of accumulated depreciation                                                       | \$ 27,114      |                  |
| Other Assets                                                                                       | <u>234,717</u> | <u>261,831</u>   |
| Tentative Net Capital                                                                              |                | 329,699          |
| Haircut on Trading and Investment Securities                                                       |                | <u>665</u>       |
| Total Net Capital                                                                                  |                | <u>\$329,034</u> |
| Percentage of Aggregated Indebtedness to Net<br>Capital after Anticipated Capital Withdrawals      |                | <u>41%</u>       |

No material differences existed between the above computation and the computation included with the Company's corresponding unaudited Form X-17A-5 Part IIA.

*Robert L. Doremus* CPA  
Robert L. Doremus  
Certified Public Accountant

**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

GEORGE McKELVEY CO., INC

**Schedule II**

Computation for Determination of Reserve Requirements  
Rule 15c3-3 - December 31, 2004

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**  
Certified Public Accountant