

SEC



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

CM  
3/22

SEC FILE NUMBER
B- 22326

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: Gilbert Doniger & Co., Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

825 Third Avenue

(No. and Street)

New York

NY

10022

(City)

(State)

(Zip Code)

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

Bruce Doniger

212/888-5151

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Anchin, Block & Anchin LLP

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

1375 Broadway, New York

NY

10018

(Address)

(City)

(State)

(Zip Code)

PROCESSED

MAR 31 2005

THOMSON FINANCIAL

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)

SEC 1410 (06-02)

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BB

DR  
3/22

OATH OR AFFIRMATION

I, BRUCE DOWICE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of GILBERT DOWICE & Co Inc, as of DECEMBER 31, 20 04, 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:

NONE

ANNIE SHADEROWFSKY  
Notary Public, State of New York  
No. 01SH6027320  
Qualified in New York County  
Commission Expires 7/6/20 07

Annie Shaderowfsky  
Notary Public

[Signature]  
Signature  
[Title]  
Title

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of ~~Income (Loss)~~ OPERATIONS
- (d) Statement of ~~Changes in Financial Condition~~ 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 1 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).



Established 1923

Anchin, Block & Anchin LLP  
Accountants and Consultants

1375 Broadway  
New York, New York 10018  
(212) 840-3456  
FAX (212) 840-7066

## INDEPENDENT AUDITORS' REPORT

### TO THE STOCKHOLDER AND DIRECTOR OF GILBERT DONIGER & CO.:

We have audited the accompanying statement of financial condition of Gilbert Doniger & Co., Inc. as of December 31, 2004 and the related statements of operations, changes in stockholder's equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. 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 Gilbert Doniger & Co., Inc. at December 31, 2004 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.

New York, New York  
February 8, 2005

*Anchin, Block & Anchin LLP*  
*Anchin, Block & Anchin LLP*

# GILBERT DONIGER & CO., INC.

## STATEMENT OF FINANCIAL CONDITION

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**DECEMBER 31,  
2004**

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### ASSETS

Cash and cash equivalents	\$ 95,779
Commissions receivable	75,925
Other assets	12,746
Deferred tax asset	8,000
Total Assets	<u>\$ 192,450</u>

### LIABILITIES AND STOCKHOLDER'S EQUITY

#### Liabilities

Accrued expenses and taxes payable	<u>\$ 17,949</u>
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#### Stockholder's equity

Common stock - \$10 par value; authorized - 2,000 shares; issued and outstanding - 1,800 shares	18,000
Additional paid-in capital	252,385
Retained earnings (deficit)	<u>(95,884)</u>
Total stockholders' equity	<u>174,501</u>
Total liabilities and stockholder's equity	<u>\$ 192,450</u>

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*See accompanying notes.*

# GILBERT DONIGER & CO., INC.

## STATEMENT OF OPERATIONS

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	<b>YEAR ENDED DECEMBER 31, 2004</b>
<b>Revenue</b>	
Commissions and fees	\$ 844,734
Interest and dividends	4,711
Total revenue	<u>849,445</u>
<b>Expenses</b>	
Salaries - officers	297,000
- others	184,000
Payroll taxes and fringe benefits	<u>23,678</u>
Total payroll costs	504,678
Clearance fees	144,266
Commissions	3,751
Communications	21,057
Insurance	24,540
Office and other	16,201
Professional fees	17,602
Rent	60,043
Regulatory dues and fees	4,329
Telephone	6,844
Travel and entertainment	<u>11,296</u>
Total expenses	<u>814,607</u>
<b>Income before income taxes</b>	34,838
Income tax expense	<u>14,050</u>
<b>Net income</b>	<u><u>\$ 20,788</u></u>

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See accompanying notes.

# GILBERT DONIGER & CO., INC.

## STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

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### YEAR ENDED DECEMBER 31, 2004

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total Stockholder's Equity</u>
Balance - January 1, 2004	\$ 18,000	\$ 252,385	\$ (116,672)	\$ 153,713
Net income	<u>-</u>	<u>-</u>	<u>20,788</u>	<u>20,788</u>
Balance - December 31, 2004	<u>\$ 18,000</u>	<u>\$ 252,385</u>	<u>\$ (95,884)</u>	<u>\$ 174,501</u>

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See accompanying notes.

# GILBERT DONIGER & CO., INC.

## STATEMENT OF CASH FLOWS

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	<b>YEAR ENDED DECEMBER 31, 2004</b>
	<hr/>
<b>Cash flows from operating activities</b>	
Net income	\$ 20,788
<i>Adjustments to reconcile net income to net cash used in operating activities:</i>	
Deferred tax expense	11,000
(Increase) decrease in :	
Commissions receivable	(54,418)
Other assets	1,066
Increase in accrued expenses and taxes payable	<hr/> 3,104
<b>Decrease in cash and cash equivalents (all from operating activities)</b>	(18,460)
Cash and cash equivalents - beginning of year	<hr/> 114,239
<b>Cash and cash equivalents - end of year</b>	<hr/> <b>\$ 95,779</b> <hr/>

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See accompanying notes.

1. **Organization and Business Activity**

Gilbert Doniger & Co., Inc. (the "Company") was incorporated in the State of New York in December 1977 and is engaged in business as an introducing broker/dealer in New York City. The company is registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Security Dealers, Inc. (NASD). The company's customers are located throughout the United States and the customers' accounts are carried by a clearing broker.

2. **Summary of Significant Accounting Policies**

*Revenue and Expense Recognition*

Commissions and related clearing expenses are recorded on a trade date basis as security transactions occur.

*Clearing Transactions*

The Company transmits all transactions through a clearing broker who maintains the customers' accounts.

*Cash and Cash Equivalents*

The Company considers money market accounts to be cash equivalents.

*Use of Estimates in Financial Statements*

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. **Cash Segregated under Federal and other Regulations**

The company is not required to maintain a special reserve bank account for the protection of customers as required by Rule 15c3-3 of the Securities and Exchange Commission under Section K(2)ii of the rule.

# GILBERT DONIGER & CO., INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

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### 4. Net Capital Requirement

The Company is subject to the net capital rule (Rule 15c3-1) of the Securities and Exchange Commission, which requires the maintenance of minimum net capital and that a broker-dealer's aggregate indebtedness, as defined, shall not exceed 15 times net capital, as defined. At December 31, 2004, the Company's net capital ratio was .12 to 1, and its net capital was \$152,284 as compared with required net capital of \$50,000.

### 5. Operating Lease

The Company occupies office space under a lease agreement that expires in February, 2006, and is subject to additional rent charges for increases in real estate taxes and certain operating expenses. The Company subleases a portion of its offices to a tenant on a month to month basis. Aggregate future minimum annual rental payments under the lease agreement are as follows:

	<u>Total Rent</u>
2005	66,000
2006	<u>16,500</u>
	<u>\$ 82,500</u>

Rent expense, including escalation charges for the year ended December 31, 2004 was \$60,043, net of sublet income of \$15,000.

### 6. Profit Sharing Plan

The Company has a profit sharing plan covering all eligible employees. Contributions to the plan are at the discretion of the Company's Board of Directors. For the year ended December 31, 2004, the Company elected not to contribute to the plan.

### 7. Income Taxes

The income tax provision for the year ended December 31, 2004 was as follows:

Current	\$ 3,050
Deferred	<u>11,000</u>
Total	<u>14,050</u>

7. **Income Taxes (continued)**

The Company's effective income tax rate is higher than what would be expected if statutory rates were applied primarily because of the New York City Alternative Tax.

The component of the net deferred tax asset as of December 31, 2004 was as follows:

NOL Carryforward	\$ <u>8,000</u>
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The Company has available at December 31, 2004, approximately \$19,000 of unused operating loss carryforwards that may be applied against future taxable income and that expire in various years through 2017.

8. **Supplemental Disclosure of Cash Flow Information**

Cash paid during the year for income taxes was \$4,090.

9. **Financial Instruments With Off Balance Sheet Risk**

The Company is engaged in various trading and brokerage activities whose counterparties include primarily broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

The Company's exposure to risk associated with nonperformance of customers in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets which may impair a customer's ability to liquidate the collateral at an amount equal to the original contracted amount. The agreement between the Company and its clearing broker provides that the Company is obligated to assume any exposure related to such nonperformance by its customers. The Company seeks to control the aforementioned risks by requiring customers to maintain margin collateral in compliance with the clearing broker's internal guidelines. The Company monitors its customer's activity by reviewing information it receives from its clearing broker on a daily basis and requiring customers to deposit additional collateral, or reduce positions, when necessary.



Established 1923

**Anchin, Block & Anchin LLP**  
Accountants and Consultants

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New York, New York 10018  
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INDEPENDENT AUDITORS' REPORT

ON

SUPPLEMENTARY INFORMATION REQUIRED BY RULE 17a-5  
OF THE SECURITIES AND EXCHANGE COMMISSION

TO THE STOCKHOLDER AND DIRECTOR OF  
GILBERT DONIGER & CO., INC.:

We have audited the accompanying financial statements of Gilbert Doniger & Co., Inc. as of December 31, 2004 and have issued our report thereon dated February 8, 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 is 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 Securities Exchange Act of 1934. Such information has been subjected to the 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.

*Anchin, Block & Anchin LLP*

*Anchin, Block & Anchin LLP*

New York, New York  
February 8, 2005

# GILBERT DONIGER & CO., INC.

## SCHEDULE OF COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS UNDER SEC RULE 15c3-1

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	<u>DECEMBER 31,</u> <u>2004</u>
Total stockholders' equity	\$ 174,501
Deductions and/or charges	
Nonallowable assets	<u>20,746</u>
Net capital before haircuts on securities positions	153,755
Haircuts on securities	1,083
Undue concentration	<u>388</u>
	<u>1,471</u>
Net capital	152,284
Less: Minimum capital requirements	<u>50,000</u>
Excess net capital	<u>\$ 102,284</u>

### COMPUTATION OF AGGREGATE INDEBTEDNESS

Accrued expenses and taxes payable	<u>\$ 17,949</u>
Aggregate indebtedness	<u>\$ 17,949</u>
Ratio of aggregate indebtedness to net capital	<u>0.12 to 1.0</u>

# GILBERT DONIGER & CO., INC.

## SCHEDULE OF RECONCILIATION OF NET CAPITAL PER FOCUS REPORT WITH AUDIT REPORT

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	<u>DECEMBER 31,</u> <u>2004</u>
Net capital - per Focus Report	\$ 153,755
Haircut adjustment and Undue concentration	<u>1,471</u>
Net capital - per audit report	<u>\$ 152,284</u>

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*See Independent Auditors' Report on Supplemental Information.*