



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

SEC FILE NUMBER
832508

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:
Johnson Securities, Inc.

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

Greentree Office Plaza 40 Lloyd Avenue
(No. and Street)

Malvern
(City)

PA
(State)

Suite 102
19355
(Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
John C. Johnson, Jr.

(610) 644-6616
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Rimmer & Company

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

117 Gayley Street
(Address)

PROCESSED

MAK 23 2005

JOHNSON
FINANCIAL

PA
(State)

19063
(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)

3/22/05

JOHNSON SECURITIES, INC.

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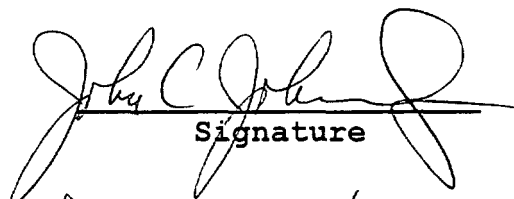
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OATH OR AFFIRMATION

I, John C. Johnson, Jr., affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplementary information pertaining to the firm of Johnson Securities, Inc. as of December 31, 2004, are true and correct. I further affirm that neither the Company nor any partner, proprietor, principal officer or director has a proprietary interest in any account classified solely as that of a customer.

Sworn to before me on the 16th day of February, 2005


Signature
President
Title

Notary Public, State of Pennsylvania

Commission expires September 18, 2007


Notary Public

Notary Seal
Kim M. Knaff, Notary Public
Willistown Twp., Chester County
My Commission Expires Sept. 18, 2007
Member, Pennsylvania Association Of Notaries

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Johnson Securities, Inc.

We have audited the accompanying statement of financial condition of Johnson Securities, Inc. as of December 31, 2004, and the related statements of operations, changes in shareholder'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.

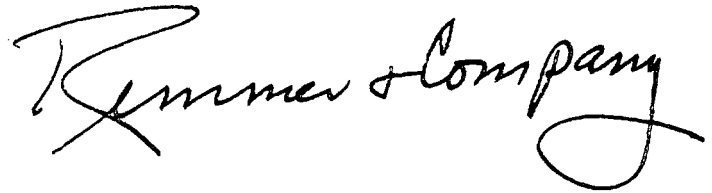
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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 Johnson Securities, Inc. as of 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included herein as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required

To the Board of Directors
Johnson Securities, Inc.
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by Rule 17a-5 under the 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.

A handwritten signature in cursive script that reads "Kummer & Company". The signature is written in black ink and is positioned to the right of the main text block.

February 16, 2005
Media, Pennsylvania

JOHNSON SECURITIES, INC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2004

ASSETS

CURRENT ASSETS:

Cash	\$ 20,179
Commissions receivable	14,776
Prepaid rent	700
Marketable securities	<u>34,680</u>
Total Current Assets	<u>70,335</u>

TOTAL ASSETS \$ 70,335

LIABILITIES AND SHAREHOLDER'S EQUITY

CURRENT LIABILITIES:

Commissions payable	\$ 9,061
Commissions payable (Johnson)	1,826
Management fees payable (Johnson)	914
Corporate income taxes	<u>878</u>
Total Current Liabilities	12,679

SHAREHOLDER'S EQUITY:

Common stock, authorized 5,000 shares \$1 par value, 1,000 shares issued and outstanding	1,000
Capital in excess of par value	7,900
Retained earnings	73,076
Accumulated other comprehensive income:	
Unrealized loss on securities	<u>(24,320)</u>
Total Shareholder's Equity	<u>57,656</u>

TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY \$ 70,335

See Accompanying Notes

JOHNSON SECURITIES, INC.
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2004

REVENUE:	
Commissions earned	\$ 180,679
Interest income	<u>290</u>
	180,969
 EXPENSES:	
Commissions	135,509
Management fees	10,841
Operating expenses	<u>28,745</u>
	<u>175,095</u>
 NET INCOME BEFORE INCOME TAXES	 5,874
 PROVISION FOR INCOME TAXES:	
State	374
Federal	<u>504</u>
	<u>878</u>
 NET INCOME	 <u><u>\$ 4,996</u></u>

See Accompanying Notes

JOHNSON SECURITIES, INC.
 STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
 YEAR ENDED DECEMBER 31, 2004

	Common stock, \$1 par value, 5,000 authorized, 1,000 shares issued	Capital in excess of par value	Retained earnings	Accumulated other comprehensive income (loss)	Total Shareholder's Equity
BALANCE, JANUARY 1, 2004	\$1,000	\$7,900	\$68,080	\$ -	\$76,980
COMPREHENSIVE INCOME (LOSS)					
Net income			4,996		4,996
Other comprehensive income (loss):					
Unrealized holding loss on marketable securities				(24,320)	(24,320)
TOTAL COMPREHENSIVE INCOME (LOSS)					
BALANCE, DECEMBER 31, 2004	<u>\$1,000</u>	<u>\$7,900</u>	<u>\$73,076</u>	<u>\$(24,320)</u>	<u>\$ 57,656</u>

See Accompanying Notes

JOHNSON SECURITIES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	
Commissions received	\$170,417
Interest received	290
Commissions paid	(128,025)
Management fees paid	(9,927)
Operating expenses paid	<u>(28,745)</u>
Net Cash Provided by Operating Activities	<u>4,010</u>
NET INCREASE IN CASH	4,010
CASH AT BEGINNING OF YEAR	<u>16,169</u>
CASH AT END OF YEAR	<u>\$ 20,179</u>
RECONCILIATION OF NET INCOME TO NET CASH USED FOR OPERATING ACTIVITIES:	
Net Income	\$ 4,996
Adjustment to reconcile net income to net cash provided by operating activities:	
Change in current assets and liabilities:	
Increase in commissions receivable	(10,262)
Increase in income taxes payable	878
Increase in commissions payable	7,484
Increase in accrued management fee	914
Net Cash Provided by Operating Activities	<u>\$ 4,010</u>

See Accompanying Notes

JOHNSON SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Entity and Nature of Operations

Johnson Securities, Inc. (the Company), located in Malvern, Pennsylvania, was incorporated May 14, 1984 and commenced operations on December 18, 1984 when it became a registered broker/dealer. The Company acts as agent for customers who purchase mutual funds and variable life insurance and annuities.

Marketable Securities

The company classifies marketable securities as available for sale. Available for sale securities are valued at fair value. Net unrealized holding gains and losses are reported as a separate component of shareholder's equity, accumulated other comprehensive income (loss). Realized gains and losses are reported in statement of operations and are determined using the first in, first out method.

Commissions Receivable

The Company considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus or minus the change during the period in deferred income tax assets and liabilities. Deferred income tax assets and liabilities are computed annually for the temporary differences between the financial statement basis and income tax basis of assets and liabilities that will result in taxable or deductible amounts in future years.

Statement of Cash Flows

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

JOHNSON SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 MARKETABLE SECURITIES

Marketable Securities consist of common stock and warrants of The Nasdaq Stock Market, Inc. The securities are traded on the Over-the-Counter (OTC) market and are valued at quoted market prices. Fair value and total losses included in accumulated other comprehensive income at December 31, 2004 are as follows:

Fair Value	<u>\$ 34,680</u>
Total losses in accumulated other comprehensive income	<u>\$ 24,320</u>

NOTE 3 RELATED PARTY TRANSACTIONS

The Company has a sales agreement with its sole stockholder (Johnson) whereby the Company pays Johnson 75% of all commissions generated by Johnson. As part of the agreement, Johnson has agreed that his commission is payable solely from the proceeds of the receivables and waives his right to payment until the Company is in receipt of the commission. In 2004, the Company recognized commission expense to Johnson in the amount of \$77,572.

In addition, the Company pays Johnson a management fee based on 6% of commission income. Johnson waives his right to the management fee from the Company if the existence of such right would cause the Company's amount of net capital to fall below the level required pursuant to Rule 15c3-1 of the Securities and Exchange Commission. In 2004, the Company incurred management fees to Johnson in the amount of \$10,841.

JOHNSON SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 3 RELATED PARTY TRANSACTIONS - (continued)

The Company has an informal arrangement with John C. Johnson, Jr., Inc. to share the office space and clerical staff of John C. Johnson, Inc. In 2004, the Company incurred operating expenses of \$16,461 for reimbursements made to John C. Johnson, Jr., Inc., including \$8,400 for rent expense.

NOTE 4 INCOME TAXES

Deferred tax assets arise from investment securities that have a greater tax basis due to the recognition of unrealized losses for financial statement purposes and the benefit of a capital loss carryover that is available to offset future capital gains. The capital loss carryover in the amount of \$5,330 expires in 2005. Since capital losses cannot offset ordinary income, the future tax benefit of any capital loss is uncertain. Accordingly, a valuation allowance of \$7,000 has been recognized to offset the deferred tax assets. Total deferred tax assets and the deferred tax asset valuation allowance are as follows:

	<u>Total</u>	<u>Federal</u>	<u>State</u>
Assets	\$ 7,000	4,000	\$ 3,000
Valuation allowance	<u>(7,000)</u>	<u>(4,000)</u>	<u>(3,000)</u>
Net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The components of the income tax provision recognized in the statement of operations are as follows:

	<u>Current</u>	<u>Deferred Benefit</u>	<u>Total</u>
State	\$ 374	\$ -	\$ 374
Federal	504	-	504
	<u>\$ 878</u>	<u>\$ -</u>	<u>\$ 878</u>

JOHNSON SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 4 NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission's net capital rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, as defined, shall not exceed 15 to 1. Essentially, net capital is defined as shareholder's equity plus subordinated liabilities less certain deductions for assets that are not readily convertible into cash.

The Company's ratio of aggregate indebtedness to net capital, as defined, at December 31, 2004 was .24 to 1.

At December 31, 2004, the Company had net capital, as defined, of \$51,754 and excess net capital of \$46,754.

NOTE 5 EXEMPTION FROM SECURITIES AND EXCHANGE COMMISSION RULE 15c3-3

The company operates pursuant to SEC Rule 15c3-3(K) (1) limiting business to the distribution of mutual funds and variable life insurance or annuities and therefore, is exempt from the computation for determination of reserve requirements pursuant to SEC Rule 15c3-3.

SUPPLEMENTARY INFORMATION

JOHNSON SECURITIES, INC.
SECURITIES AND EXCHANGE COMMISSION SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 2004

<u>Line*</u>	<u>Computation of Net Capital</u>	
1	Total ownership equity from Statement of Financial Condition	\$ 57,656
5	Total capital and allowable subordinated liabilities	57,656
6	Deductions and/or charges:	
	A. Total nonallowable assets:	
	- Prepaid rent	<u>700</u>
8	Net capital before haircuts on securities positions	56,956
9	Haircuts on securities	<u>5,202</u>
10	Net capital	<u>\$ 51,754</u>
	<u>Computation of Net Capital Requirement</u>	
11	Minimum net capital required (6 2/3% of aggregate indebtedness)	<u>\$ 845</u>
12	Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 5,000</u>
13	Net capital requirement	<u>\$ 5,000</u>
14	Excess net capital	<u>\$ 46,754</u>
15	Excess net capital at 1,000%	<u>\$ 50,486</u>
	<u>Computation of Aggregate Indebtedness</u>	
16	Total A.I. liabilities from Statement of Financial Condition	<u>\$ 12,679</u>
19	Total aggregate indebtedness	<u>\$ 12,679</u>
20	Percentage of aggregate indebtedness to net capital	<u>24%</u>

*Line references are to FOCUS report, Part IIA

JOHNSON SECURITIES, INC.
SECURITIES AND EXCHANGE COMMISSION SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 2004

Statement Pursuant to Paragraph (d) (2) of Rule 17a-5

There are no liabilities subordinated to claim of general creditors.

Statement Pursuant to Paragraph (d) (4) of Rule 17a-5

There are no material differences between this computation of net capital and the corresponding computation prepared by Johnson Securities, Inc. and included in the Company's unaudited FOCUS report, Part IIA filed as of the same date.

Statement Pursuant to Exemption from the Computation for
Determination of Reserve Requirements Pursuant to Rule 15c3-3

The company operates pursuant to SEC Rule 15c3-3(K) (1) limiting business to the distribution of mutual funds and variable life insurance or annuities and therefore, is exempt from the computation for determination of reserve requirements pursuant to SEC Rule 15c3-3.

REPORT ON INTERNAL ACCOUNTING CONTROL

To the Board of Directors
Johnson Securities, Inc.

In planning and performing our audit of the financial statements of Johnson Securities, Inc. (the Company), for the year ended December 31, 2004, 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, we have made a study of the practices and procedures followed by the Company, 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 exemptive provisions of Rule 15c3-3. Because the Company 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 Company 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 Company is responsible for establishing and maintaining an internal control and the practices and procedures referred to in the preceding paragraph.

To the Board of Directors of
Johnson Securities, Inc.
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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 Securities and Exchange Commission'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 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 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 internal control 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.

Our consideration of the 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.

To the Board of Directors of
Johnson Securities, Inc.
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We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Securities and Exchange 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, 2004, to meet the Securities and Exchange Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission and other regulatory agencies which rely on Rule 17a-5(g) under the 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.

Rimmer + Company

February 16, 2005
Media, Pennsylvania