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

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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 01-01-2006 AND ENDING 12-31-2006
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

E MAR 09 2007

FOR OFFICIAL USE ONLY THOMSON FINANCIAL

*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)

AS 3/8

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, 2006, 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:

JACK D. JOHNSON
Notary Public, State of Michigan
County of Kalamazoo
My Commission Expires Mar. 28, 2013
Acting in the County of KALAMAZOO

Frederick J. Pilgrim
Signature

DIR - Owner
Title

Jack D. Johnson
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 15c3-1 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).

PILGRIM FINANCIAL SERVICES

FINANCIAL STATEMENTS

DECEMBER 31, 2006

Robert L. Pastine
Accountant & Auditor

Robert L. Pastine

Accountant & Auditor

802 Main Street • Suite 4-A

Toms River, NJ 08753

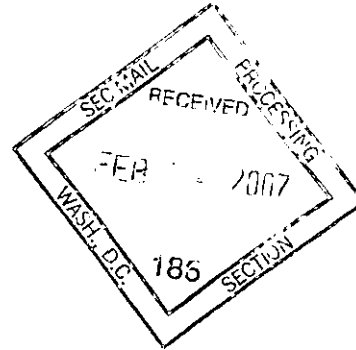
(732) 240-9090

Fax (732) 240-9097

Email: robert.pastine@verizon.net

January 27, 2007

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, 2006 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, 2006.

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, 2006 were a checking account. All other investments were liquidated during the year 2001. The ownership equity reflected in the broker/dealer unaudited report Part II is \$ 7,017.

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, 2006

EXHIBIT A

ASSETS

Cash in bank	\$ 11,561	
Investments	<u>-0-</u>	
TOTAL ASSETS		<u>\$11,561</u>

LIABILITIES & NET WORTH

LIABILITIES

Accrued expenses		\$ -0-
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NET WORTH

Balance, January 1, 2005	\$ 7,017	
Additions:		
Net income for the year	12,044	
Deductions: Withdrawals	<u>(7,500)</u>	
NET WORTH		<u>\$ 11,561</u>
TOTAL LIABILITIES & NET WORTH		<u>\$ 11,561</u>

“See Accompanying Notes & Accountant’s Report”

Robert L. Pastine
Accountant & Auditor

PILGRIM FINANCIAL SERVICES

STATEMENTS OF REVENUE COLLECTED
AND EXPENSES PAID
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005

EXHIBIT B

INCOME:	<u>2006</u>	<u>2005</u>
Commissions	\$ 13,708	\$ 13,708
Interest Income	-0-	-0-
Refunds from NASD	<u>100</u>	<u>100</u>
Total Income	\$ 13,808	\$ 13,808
EXPENSES:		
Commissions paid	\$ -0-	\$ -0-
Other Expenses	2,393	2,393
Accrued expenses	<u>-0-</u>	<u>-0-</u>
Total Expenses	\$ <u>2,393</u>	\$ <u>2,393</u>
NET CASH BASIS INCOME, FOR THE YEAR, LESS MANDATED NASD ACCRUAL	\$ 11,415	\$ 11,415
UNREALIZED INCREASE IN MARKET VALUE SECURITIES	<u>-0-</u>	<u>-0-</u>
NET INCOME REPORTED TO NASD	\$ <u>11,415</u>	\$ <u>11,415</u>

STATEMENTS OF CHANGES IN FINANCIAL CONDITION
FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005

EXHIBIT C

	<u>2006</u>	<u>2005</u>
Cash	\$ 11,561	\$ 7,017
Securities		
Cost	-0-	-0-
Unrealized increase (decrease) in market value	<u>-0-</u>	<u>-0-</u>
TOTAL ASSETS	\$ <u>11,561</u>	\$ <u>7,017</u>
EQUITY	\$ <u>11,561</u>	\$ <u>7,017</u>

"See Accompanying Notes & Accountant's Report"

Robert L. Pastine
Accountant & Auditor

PILGRIM FINANCIAL SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Pilgrim Financial Services is a small investment service company whose assets on December 31, 2006 consisted of a cash account. Under the circumstances direct communications with the bank was not considered necessary. I satisfied myself as to the existence of the assets as follows:

A statement supplied by the bank for December 31, 2006 evidenced cash in bank. The balance shown on that statement for December 31, 2006 was identical to the book balance on December 31, 2006.

“SEE ACCOMPANYING NOTES & ACCOUNTANT’S REPORT”

END

Robert L. Pastine
Accountant & Auditor