



07002967

S

MISSION

SECURITIES AND EXCHANGE

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 2007
Estimated average burden	
hours per response.....	12.00

*Handwritten initials*

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

RECEIVED

FEB 15 2007

SEC FILE NUMBER
B-31097

FACING PAGE

DIVISION OF MARKET REGULATION

**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, 2006 AND ENDING December 31, 2006  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Investment Management Services, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1141 Swift Avenue

North Kansas City

(No. and Street)  
MO

64116

(City)

(State)

(Zip Code)

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

William Wolfe III

816-454-7100

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Acord Cox & Company

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

15700 College Blvd., Suite 100 Lenexa

KS

66219

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

**PROCESSED**

**MAR 13 2007**

**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)

*Handwritten initials*

OATH OR AFFIRMATION

I, William Wolfe III, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Investment Management Services, Inc., as of December 31, 20 06, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

William R Wolfe 2-13-07  
Signature  
President  
Title

Denise R Bowlen  
Notary Public

**DENISE R. BOWLEN**  
Notary Public-Notary Seal  
STATE OF MISSOURI  
Jackson County  
My Commission Expires June 29, 2007

- 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).

# INVESTMENT MANAGEMENT SERVICES, INC.

## TABLE OF CONTENTS

---

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	2
Statements of Operations	3
Statements of Cash Flows	4
Statements of Changes in Stockholders' Equity	5
Notes to Financial Statements	6-7
SUPPLEMENTAL SCHEDULE	
Schedule I – Computation of Net Capital Under Rule 15c3-1	8
Schedule II – Computation of Reserve Requirements Under Rule 15c3-3	9
Schedule III – Information Relating to Possession or Control Requirements Under Rule 15c3-3	10
Schedule IV – Schedule of Segregation Requirements and Funds in Segregation for Customers' Regulated Commodity Futures and Options Accounts	11
Report on Internal Control Required by SEC Rule 17a-5 for a Broker-Dealer Claiming an Exemption from SEC Rule 15c3-3	12-13

INDEPENDENT AUDITORS' REPORT

Investment Management Services, Inc.  
North Kansas City, Missouri

We have audited the accompanying balance sheets of Investment Management Services, Inc. (the "Company") as of December 31, 2006 and 2005, and the related statements of operations, changes in stockholders' equity and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audits 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.

January 29, 2007

*Acord Cox & Co.*

# INVESTMENT MANAGEMENT SERVICES, INC.

## BALANCE SHEETS

DECEMBER 31, 2006 and 2005

### ASSETS

	2006	2005
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,087	\$ 4,903
Deposits with clearing organization	25,000	25,000
Accounts receivable	3,686	1,329
Interest receivable	105	60
Other receivables	5,954	5,591
Total current assets	<u>37,832</u>	<u>36,883</u>
<b>FIXED ASSETS</b>		
Office equipment	2,580	2,580
Accumulated depreciation	<u>(2,580)</u>	<u>(1,949)</u>
	<u>-</u>	<u>631</u>
	<u>\$ 37,832</u>	<u>\$ 37,514</u>

### LIABILITIES AND STOCKHOLDERS' EQUITY

#### CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 3,236	\$ 1,485
Other current liabilities	<u>248</u>	<u>229</u>
Total current liabilities	<u>3,484</u>	<u>1,714</u>

#### STOCKHOLDERS' EQUITY

Preferred stock, \$1.00 par value, 150,000 shares authorized, 11,755 shares issued and outstanding	11,755	11,755
Common stock, \$.01 par value, 1,000,000 shares authorized, 349,625 shares issued and outstanding	3,496	3,496
Additional paid-in capital	329,931	329,931
Retained deficit	(299,500)	(298,048)
Treasury stock, at cost	<u>(11,334)</u>	<u>(11,334)</u>
	<u>34,348</u>	<u>35,800</u>
	<u>\$ 37,832</u>	<u>\$ 37,514</u>

# INVESTMENT MANAGEMENT SERVICES INC.

## STATEMENTS OF OPERATIONS YEARS ENDED DECEMBER 31, 2006 and 2005

	2006	2005
REVENUES		
Net commissions from security transactions	\$ 43,034	\$ 59,240
OPERATING EXPENSES		
Personnel costs	22,582	31,325
Rent	9,168	7,720
Insurance	420	2,129
Telephone	100	1,554
Office expense	1,616	3,609
Professional fees	2,588	2,425
Subscriptions	-	260
Postage	1,999	2,699
Regulatory costs	3,453	2,274
Quotes	2,585	2,400
Depreciation	631	860
Other	2,094	2,322
	<u>47,236</u>	<u>59,577</u>
NET LOSS FROM OPERATIONS	<u>(4,202)</u>	<u>(337)</u>
OTHER INCOME (EXPENSES)		
Interest income	1,020	534
Gain on sale of NASDAQ warrants	3,611	-
	<u>4,631</u>	<u>534</u>
NET INCOME	\$ <u>429</u>	\$ <u>197</u>

# INVESTMENT MANAGEMENT SERVICES, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2006 and 2005

	2006	2005
OPERATING ACTIVITIES		
Net income	\$ 429	\$ 197
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation	631	860
Changes in operating assets and liabilities:		
Accounts receivable	(2,357)	7,550
Other assets	(408)	(305)
Accounts payable and accrued expenses	1,770	(3,575)
Cash provided by operating activities	<u>65</u>	<u>4,727</u>
FINANCING ACTIVITIES		
Preferred dividend	<u>(1,881)</u>	<u>(940)</u>
Cash used in financing activities	<u>(1,881)</u>	<u>(940)</u>
NET CHANGE IN CASH	(1,816)	3,787
CASH, BEGINNING OF YEAR	<u>4,903</u>	<u>1,116</u>
CASH, END OF YEAR	<u>\$ 3,087</u>	<u>\$ 4,903</u>

INVESTMENT MANAGEMENT SERVICES, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
YEARS ENDING DECEMBER 31, 2006 and 2005

	Common Stock	Preferred Stock	Additional Paid-In Capital	Retained Deficit	Treasury Stock	Total
BALANCES, DECEMBER 31, 2004	\$ 3,496	\$ 11,755	\$ 329,931	\$ (297,305)	\$ (11,334)	\$ 36,543
Dividend paid on preferred stock				(940)		(940)
Net income				197		197
BALANCES, DECEMBER 31, 2005	\$ 3,496	\$ 11,755	\$ 329,931	\$ (298,048)	\$ (11,334)	\$ 35,800
Dividend paid on preferred stock				(1,881)		(1,881)
Net income				429		429
BALANCES, DECEMBER 31, 2006	\$ 3,496	\$ 11,755	\$ 329,931	\$ (299,500)	\$ (11,334)	\$ 34,348

See notes to financial statements.

# INVESTMENT MANAGEMENT SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006 AND 2005

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Description of Business - Investment Management Services, Inc. ("the Company") is engaged in the brokerage of financial products to the general public and accredited investors. The Company has an agreement with a third party clearinghouse to process all of their clients' transactions. The Company is based in the Kansas City Metropolitan area. The Company is registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD).
- b. Revenue Recognition - Customers' security transactions are recorded on a trade date basis. Management fees and interest income are accrued as earned.
- c. Cash and Cash Equivalents - For purposes of reporting cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.
- d. Furniture and Equipment - Furniture and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the corresponding assets.
- e. Advertising Costs - Advertising costs are charged to operations when incurred.
- f. Income Taxes - Deferred tax liabilities and assets are recognized for the tax effect of differences between the financial statement and tax bases of assets and liabilities. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized.

### 2. SIGNIFICANCE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 3. CONCENTRATIONS OF CREDIT RISK

The Company is engaged in various trading and brokerage activities in which counterparts primarily include broker-dealers and buyers and sellers of securities. In the event counterparts do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterpart. It is the Company's policy to review, as necessary, the credit standing of each counterpart.

#### 4. INCOME TAXES

The Company's deferred tax asset, principally related to its net operating loss carryforward, totaled \$4,840 and \$4,940 at December 31, 2006 and 2005. A corresponding valuation allowance of the same amount was recorded at December 31, 2006.

As of December 31, 2006, the Company has available approximately \$24,200 of unused net operating loss carryforwards for regular tax purposes, which expire through 2022.

#### 5. NET CAPITAL REQUIREMENTS

The company is subject to the SEC Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2006 and 2005, the Company had net capital of \$28,289 and \$29,518 which was in excess of its required net capital of \$5,000. The Company's net capital ratio at December 31, 2006 was 0.12 to 1.

#### 6. REQUIRED INFORMATION OMITTED

The Company has no liabilities subordinated to claims of general creditors as of December 31, 2006; therefore, the statement of changes in liabilities subordinated to claims of general creditors has been omitted.

The Company does not maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers" and it has not held "physical possession or control" of any securities for customers since operations commenced. Information relating to the possession or control requirements in rule 15c3-3 is also omitted.

# INVESTMENT MANAGEMENT SERVICES, INC.

## Schedule I

### Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission December 31, 2006

---

#### NET CAPITAL

Total Stockholder's Equity	\$ 34,348
Less Non-Allowed Assets:	
Other receivables	( 5,954)
Interest receivable	( 105)
Net Capital	<u>\$ 28,289</u>

#### AGGREGATE INDEBTEDNESS

Items included in statement of financial condition	
Accounts payable and accrued expenses	\$ 3,236
Other current liabilities	<u>248</u>
Total Aggregate Indebtedness	<u>\$ 3,484</u>

#### COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum Net Capital Required	<u>\$ 5,000</u>
Excess Net Capital	<u>\$23,289</u>
Ratio of aggregate indebtedness to net capital	<u>0.12 to 1</u>

#### RECONCILIATION WITH COMPANY'S COMPUTATION:

Net Capital per Company's fourth quarter FOCUS report	\$ 28,289
Difference – none	<u>--</u>
Net Capital reported above	<u>\$ 28,289</u>

**INVESTMENT MANAGEMENT SERVICES, INC.**

**Schedule II**

**Computation of Reserve Requirements Under Rule 15c3-3 of the  
Securities and Exchange Commission**

**December 31, 2006**

---

An exemption is claimed from Rule 15c3-3 under the exemptive provisions of paragraph (k)(2)(i) as the Company does not hold customer funds or securities. All accounts are on a fully disclosed basis.

**INVESTMENT MANAGEMENT SERVICES, INC.**

**Schedule III**

**Information Relating to Possession or Control Requirements Under Rule 15c3-3 of the Securities and Exchange Commission**

**December 31, 2006**

---

The Company has complied with the exemptive requirements of Rule 15c3-3 of the Securities and Exchange Commission and did not maintain possession or control of any customer funds or securities as of December 31, 2006.

**INVESTMENT MANAGEMENT SERVICES, INC.**

**Schedule IV**

**Schedule of Segregation Requirements and Funds in Segregation for Customers' Regulated  
Commodity Futures and Options Accounts**

**December 31, 2006**

---

The Company is exempted under Rule 15c3-3(k)(2)(i).

\* \* \* \* \*

Report on Internal Control Required by SEC Rule 17a-5 for a Broker-Dealer Claiming an Exemption from SEC Rule 15c3-3

To Directors and Shareholders of  
Investment Management Services, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Investment Management Services, Inc. (the Company) for the year ended December 31, 2006, 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 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 and net capital under rule 17a-3(a)(11) and for determining compliance with the 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 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 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 the 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 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 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, 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc. and other regulatory agencies that 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.

*Acord Caf & Co.*

January 29, 2007