

RECEIVED

JUN 21 2007

DIVISION OF MARKET REGULATION

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20547



07007070

OMB APPROVAL
OMB Number: 3235-0123
Expires: February 10, 2010
Estimated average burden
hours per response... 12.00

SEC FILE NUMBER
8- 43101

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III
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 06/01/06 AND ENDING 05/31/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: SF SENTRY SECURITIES, INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

100 PINE STREET, SUITE 2700

(No. and Street)

SAN FRANCISCO

CALIFORNIA

94111

(City)

(State)

(Zip Code)

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

LEON A. ROOT

(415) 229-9012

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

HENDRIKS, G. PAUL

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

1050 NORTHGATE DRIVE, SUITE 52,

SAN RAFAEL

CALIFORNIA

94903

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED
AUG 08 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)

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, Leon A. Root, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SF SENTRY SECURITIES, INC., as of MAY 31, 2007, 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:

NO EXCEPTIONS

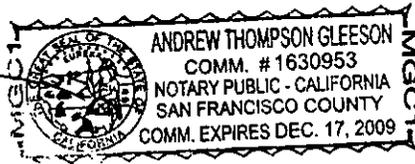
Leon Root

Signature

CFD

Title

[Handwritten signature]



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 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 15c3-1 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.
(o) Reconciliation of the Audited Net Capital Computation and the broker-dealers Corresponding Unaudited Part IIA Net Capital Computation

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

S F SENTRY SECURITIES, INC.

FINANCIAL STATEMENTS

For the year ended May 31, 2007

S F SENTRY SECURITIES, INC.

For the year ended May 31, 2007

TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Public Accountant	3
Financial Statements:	
Statement of Financial Condition	4
Statement of Operations	5
Statement of Changes in Stockholder's Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 12
Supplemental Schedules	13 - 16

REPORT OF INDEPENDENT ACCOUNTANT

To S F Sentry Securities, Inc.:

I have audited the statement of financial condition of S F Sentry Securities, Inc. as of May 31, 2007, and the related statements of operations and changes in stockholders' equity and cash flows for the year then ended. The financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United states of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 respects, the financial position of S F Sentry Securities, Inc. as of May 31, 2007, 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.

My examination has been made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III and IV is presented for the purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rules 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



June 13, 2007

S F SENTRY SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION

May 31, 2007

ASSETS

Cash and cash equivalents	\$ 255,607
Receivable from broker-dealers	269,273
Other accounts receivable	14,615
Marketable securities at market value (cost, \$11,712)	63,140
Other non marketable securities	4,750
Office equipment (net of accumulated depreciation of \$58,366)	213,984
Due from affiliates	182,585
Organization costs (net of accumulated amortization of \$10,215)	<u>0</u>
	<u>\$1,003,954</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Accounts payable and accrued liabilities	\$ 111,556
Income taxes payable	2,201
Payroll payable	<u>174,150</u>
Total liabilities	287,907
Stockholder's Equity:	
Common stock – no par value; authorized 100,000 shares, issued and outstanding, 55,000 shares	95,000
Retained earnings	<u>621,047</u>
Total stockholder's equity	<u>716,047</u>
Total liabilities and stockholder's equity	<u>\$1,003,954</u>

The accompanying notes are an integral part
of these financial statements

S F SENTRY SECURITIES, INC.

STATEMENT OF OPERATIONS

For the year ended May 31, 2007

Revenue	
Securities commissions	\$3,550,711
Trading gains (losses)	(16,840)
Dividends, interest and other income	<u>224,559</u>
Total revenue	3,758,430
Expenses	
Employee compensations and benefits	2,459,540
Information services	117,997
Clearance fees	505,862
Office expenses	129,227
Occupancy	279,429
Travel and seminars	25,740
Outside services	87,707
Depreciation	14,722
Entertainment	29,323
Regulatory expenses	23,653
Charitable contributions	<u>2,500</u>
Total expenses	<u>3,675,700</u>
Income (loss) before taxes on income	82,730
Income tax provision	<u>3,001</u>
Net income	<u><u>\$ 79,729</u></u>

The accompanying notes are an integral part
of these financial statements

S F SENTRY SECURITIES, INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

For the year ended May 31, 2007

	<u>Common Stock</u>	<u>Paid in Capital</u>	<u>Retained Earnings</u>	<u>Stockholder's Equity</u>
BEGINNING BALANCE June 1, 2006	\$ 95,000	\$ 0	\$ 541,317	\$ 636,317
Net income (loss)	_____	_____	<u>79,729</u>	<u>79,729</u>
ENDING BALANCE May 31, 2007	<u>\$ 95,000</u>	<u>\$ 0</u>	<u>\$ 621,046</u>	<u>\$ 716,046</u>

The accompanying notes are an integral part
of these financial statements

S F SENTRY SECURITIES, INC.

STATEMENT OF CASH FLOWS

For the year ended May 31, 2007

Cash flows from operating activities:	
Net income (loss)	\$ 79,729
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	14,722
(Increase) decrease in receivable from broker-dealers	42,074
(Increase) decrease in other accounts receivable	(1,465)
(Increase) decrease in income tax refund receivable	168,800
(Increase) decrease in marketable securities inventory	(3,410)
(Increase) decrease in other non marketable securities	20,250
(Increase) decrease in due from affiliates	(159,570)
Increase (decrease) in accounts payable	16,126
Increase (decrease) in income taxes payable	2,201
Increase (decrease) in payroll payable	<u>(88,636)</u>
Net cash provided (used) by operating activities	<u>90,821</u>
Cash flows from investing activities fixed assets	
Purchase of fixed assets	<u>(16,924)</u>
Net cash flows provided by investing activities	<u>(16,924)</u>
Net increase (decrease) in cash	73,897
Cash and cash equivalents at beginning of period	<u>181,710</u>
Cash and cash equivalents at end of period	<u><u>\$ 255,607</u></u>
Supplemental disclosures:	
Federal income taxes paid	\$ 0
State franchise taxes paid	800

The accompanying notes are an integral part of these financial statements

S F SENTRY SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

May 31, 2007

Note 1) Organization

The Company was incorporated on June 25, 1990 in the state of California. In November 1990, the Company became registered with the Securities and Exchange Commission as a broker-dealer in securities pursuant to Section 15 (B) of the Securities Exchange Act of 1934. In April 1991 the Company became a member of the National Association of Securities Dealers. The company commenced securities transactions in June 1991. The Company earns income primarily through commissions on the brokerage of securities.

Note 2) Summary of Significant Accounting Policies

The financial statements are prepared on the accrual basis of accounting.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates.

Transactions in securities are recorded on a trade date basis. Marketable equity securities are valued at the quoted market value of the securities. The resulting difference between cost and market value is included in income.

Organization costs are amortized over sixty months.

Equipment is carried at cost, less accumulated depreciation. Depreciation for equipment and furniture is based on the straight line method over the estimated useful life of five and seven years, respectively.

Note 3) Marketable Securities Owned

Marketable securities owned in the amount of \$63,140 consist of investment securities at current market values. Net unrealized gains of \$3,410 are included in securities trading revenue for the year ended May 31, 2007 and are the result of net changes between aggregate cost at time of purchase and the market value of securities owned at May 31, 2006 and May 31, 2007.

S F SENTRY SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

May 31, 2007

Note 4) Non Marketable Securities

During the year ended May 31, 2007 the Company held an investment with a cost of \$25,000 in one company which is not readily marketable and is not traded on any exchange. Based on the most recent round of private stock offerings by this company, management has determined that there was an impairment in value of this investment during the year ended May 31, 2007. The current value of this investment is \$4,750. An unrealized loss of \$20,250 is included in trading revenue for the year ending May 31, 2007.

Note 5) Income Taxes

For Federal income tax purposes a net operating loss incurred and available from prior years of \$64,031 was applied to taxable income. An amount of \$6,383 of charitable contribution deductions have been carried forward and may be used to offset future taxable income for a period of up to five years. A portion of these charitable contribution deduction carryovers will begin to expire on May 31, 2011.

The income tax benefit for the year ending May 31, 2007 is as follows:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Federal income tax	\$ 2,201		\$ 2,201
State income taxes	<u>800</u>	<u>0</u>	<u>800</u>
Total	<u>\$ 3,001</u>	<u>0</u>	<u>\$ 3,001</u>

For California state income tax purposes, the Company earned net taxable income of \$71,860 which was completely offset by prior years' net operating losses. As of May 31, 2007 the Company's net operating loss carryforward totals \$813,381 which can be carried forward to offset future year franchise taxes. These net operating loss carryforwards will begin to expire on May 31, 2015.

The Company has not accrued the future benefit of the net operating loss carryovers and has not recorded a deferred income tax asset since the earning of future net income is not certain.

S F SENTRY SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

May 31, 2007

Note 6) Related Party Transactions

The 95% shareholder of the Company, R. Dirickson, owns 50% of San Francisco Sentry Investment Group, Inc., a registered investment advisor. Certain registered representatives of the Company were also employees of San Francisco Sentry Investment Group, Inc.

The 95% shareholder of the company is also the 96.5% shareholder of Storie Advisors, LLC, a registered investment advisor, a 60% shareholder of Cypress Advisors, LLC, a registered investment advisor. The 95% shareholder is also a 92.55% owner and member of S F Sentry, LLC and a 95% owner of SF Special, LLC.

The Company pays expenses on behalf of these affiliates. Periodically, the affiliates reimburse and/or prepay the Company for direct and allocated expenses. As of May 31, 2007, the Company had balances due from the following affiliated companies.

Storie Advisors, LLC	\$146,623
S F Sentry Investment Group, Inc.	20,189
Cypress Advisors, LLC	<u>15,773</u>
Total due from affiliates as of May 31, 2007	<u>\$182,585</u>

If an affiliated company is unable to repay the Company for its share of allocated expenses within 90 days of incurrence due to lack of cash flow or earnings, the Company may elect to forego repayment of allocated expenses. During the year ended May 31, 2007, the Company absorbed the allocated expenses of the following affiliated entities.

San Francisco Sentry Investment Group, Inc.	\$210,000
San Francisco Relative Value Advisors, LLC	<u>198</u>
Total affiliated company expenses absorbed by the Company	<u>\$ 210,198</u>

S F SENTRY SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

May 31, 2007

Note 7) Pension Plan

In December 1997 an affiliated company established a defined contribution pension and profit sharing and salary deferral plan. The Company may make a discretionary contribution to the plan. Eligible employees of the company may also elect to participate in a salary tax deferral plan. There was no discretionary contribution made to this plan by the Company during the year ended May 31, 2007.

Note 8) Lease Obligations

The Company currently leases office space along with two affiliated companies which is accounted for as an operating lease. This lease commenced December 1, 1998. In October 2002 this lease was amended to provide for basic monthly rent of \$30,728 plus 2.7% of designated common building operating expenses. The lease expires October 31, 2007. While the Company is a signatory on the lease, only 25% of the total lease costs is allocated to the Company with the remainder allocated to the affiliated Companies.

In May 2005 the Company along with two affiliated companies entered into an operating lease to rent additional office premises at a basic monthly rent of \$9,846 plus 0.8633% of designated common building operating. These leases expire October 31, 2007. The Company has the option to renew these leases for a period of additional five years.

Future minimum lease payments under operating leases on which the Company may be held liable are as follows:

<u>Year ended</u>	<u>Amount</u>
May 31, 2008	<u>216,423</u>
Total	<u>\$216,423</u>

S F SENTRY SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

May 31, 2007

Note 10) Net Capital Requirements

The Company is required to maintain minimum net capital as defined by rule 15c3-1 of the Securities and Exchange Commission. At May 31, 2007, the Company's net capital was \$284,437 the amount of which \$184,437 is in excess of the required net capital. The Company's ratio of aggregate indebtedness to net capital also may not exceed 15 to 1. On May 31, 2007, the Company's net capital ratio was 1.01 to 1.

Note 11) Exemption from SEC Rule 15c3-3

Management believes that the Company has complied with provisions for exemption from SEC Rule 15c3-3 throughout the year ended May 31, 2007. All customer transactions are cleared through another broker-dealer, Bear Stearns Securities Corporation, SEC #8-43724 on a fully disclosed basis.

Note 12) Credit line

In June 2006, the Company was extended a line of credit in the amount of \$1,000,000. The credit line will carry a variable interest rate at prime (currently 8.25%) which will accrue on any outstanding balance, with the interest to be paid monthly. The credit line will expire September 1, 2007 at which time the Company must repay all outstanding balances plus remaining accrued interest. As of the date of this report the Company has not drawn any amount of this available line of credit.

FOCUS REPORT – PART II

as of May 31, 2007

<u>Firm Name: S F SENTRY SECURITIES, INC.</u>		<u>Firm ID: 027432</u>
1	Total ownership equity	\$
2	Deduct o/e not allowable for net capital	
3	Total o/e qualified for net capital	716,047
4	Add:	
A	Allowable subordinated liabilities	
B	Other deductions or credits	
	Description	Amount
5	Total cap & allowable subloans	716,047
6	Deductions and/or charges	
A	Total non allowable assets	\$415,934
D	Other deductions and/or charges	
	Total deductions and/or charges	(415,934)
7	Other additions and/or allowable credits	
	Description	Amount
8	Net capital before haircuts	300,113
9	Haircuts on securities:	
A	Contractual commitments	
B	Subordinated debt	
C	Trading and investment securities	
1	Exempted securities	
2	Debt securities	
3	Options	
4	Other securities	\$10,707
D	Undue concentration	4,969
E	Other	
	Description	Amount
		(15,676)
10	Net Capital	\$ 284,437

FOCUS REPORT – PART II

as of May 31, 2007

Firm Name: S F SENTRY SECURITIES, INC.Firm ID: 035603

11	Minimum net capital requirement: (based on Aggregate Indebtedness)	19,193
12	Minimum Dollar Requirement	<u>100,000</u>
13	Net capital required (greater of line 11 or 12)	<u>100,000</u>
14	Excess net capital (line 10 less line 13)	184,437
15	Excess net capital @ 1000% (net cap – 10% of AI)	255,646
Computation of Aggregate Indebtedness		
16	Total AI liability from balance sheet	287,906
17	Add:	
A	Drafts for immediate credit	
B	Market value of securities borrowed where no equivalent value is paid or credited	
C	Other unrecorded amounts	
	Descriptions	Amount
19	Total Aggregate Indebtedness	<u>287,906</u>
20	Percentage of aggregate indebtedness to net capital	101
21	Percentage of aggregate indebtedness to net capital after anticipated withdrawals	101

S F SENTRY SECURITIES, INC.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
FOR BROKER-DEALERS UNDER RULE 15c3-3
May 31, 2007

An exemption from Rule 15c3-3 is claimed based upon section (k) (2) (B). The Company has complied with provisions for exemption from Rule 15c3-3 throughout the year ended May 31, 2007. All customer transactions are cleared through another broker-dealer, Bear Stearns Securities Corporation, SEC #8-43724, on a fully disclosed basis.

INFORMATION FOR POSSESSION OR CONTROL REQUIREMENTS UNDER RULE
15c3-3

Not applicable.

SCHEDULE III

S F SENTRY SECURITIES, INC.

RECONCILIATION OF THE AUDITED NET CAPITAL COMPUTATION
AND THE BROKER-DEALER'S CORRESPONDING UNAUDITED PART IIA
NET CAPITAL COMPUTATION

May 31, 2007

(Additional Information)

Net capital per unaudited statements	\$ 284,437
Add: (deduct) audit differences	<u> 0</u>
Net capital per audited financial statements	<u><u>\$ 284,437</u></u>

Report of Independent Public Accountant

To the Shareholders of S F Sentry Securities:

In planning and performing my audit of the financial statements of S F Sentry Securities, Inc., for the year ended May 31, 2007, I considered its internal control, including control activities for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by Rule 17a-5 (g) (1) of the Securities and Exchange Commission (SEC), I have made a study of the practices and procedures followed by the S F Sentry Securities Inc., including tests of compliance with such practices and procedures, that I considered relevant to the objectives stated in Rule 17a-5(g), (1) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a) (11) and the procedures for determining compliance with exemptive provisions of Rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities I did not review the practices and procedures followed by the company (i) in making the quarterly securities examinations, counts, verifications and comparisons, (ii) the recordation of the differences required by Rule 17a-13 and (iii) complying with the requirements for prompt payment for securities of Section 8 of 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. In fulfilling this responsibility, estimates and judgements 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 accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of the inherent limitations in internal control or the practices and procedures referred to above, errors 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.

My consideration of the internal control structure 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, I noted no matters involving internal control that I consider to be a material weakness as defined above.

I 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 my study, I believe that the Company's practices and procedures were adequate at May 31, 2007 to meet the SEC's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1935 and should not be used for any other purpose.

A handwritten signature in black ink, appearing to read "Paul Harris", with a long horizontal flourish extending to the right.

San Rafael, California
June 13, 2007

END