

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



07008565

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

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

RECEIVED  
NOV 21 2007  
200

SEC FILE NUMBER  
8-50082

REPORT FOR THE PERIOD BEGINNING October 1, 2006 AND ENDING September 30, 2007  
(MM/DD/YY) (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

The Oak Ridge Financial Services Group Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

701 Xenia Avenue South, Suite 100

(No. and Street)

Golden Valley

(City)

MN

(State)

55416

(Zip Code)

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

Richard D. Husebo

763-923-2200

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Mayer Hoffman McCann P.C.

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

222 South 9<sup>th</sup> Street, Suite 1700

(Address)

Minneapolis

(City)

MN

(State)

55402

(Zip Code)

CHECK ONE:

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

PROCESSED

DEC 31 2007

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

9A  
12/30/07

### OATH OR AFFIRMATION

I, Richard D. Huesbo, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of The Oak Ridge Financial Services Group, Inc. as of September 30, 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:

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

Richard D Huesbo  
Signature

VP/CCO  
Title

Kristine M Littel  
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 15c-3-3 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 on 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).

**THE OAK RIDGE FINANCIAL SERVICES GROUP, INC**

**FINANCIAL STATEMENTS**

Years Ended September 30, 2007 and 2006

The logo for Mayer Hoffman McCann P.C. consists of the letters "MHM" in a bold, white, sans-serif font, centered within a solid black square.

**Mayer Hoffman McCann P.C.**

**An Independent CPA Firm**

1700 Campbell Mithun Tower  
222 South Ninth Street  
Minneapolis, MN 55402  
phone: 612-339-7811  
fax: 612-339-9845  
www.mhm-pc.com

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors

### **THE OAK RIDGE FINANCIAL SERVICES GROUP, INC.**

We have audited the statements of financial condition of The Oak Ridge Financial Services Group, Inc. as of September 30, 2007 and 2006 that you are filing pursuant to Rule 17a-5(g) 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 audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 audits provide 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 The Oak Ridge Financial Services Group, Inc. as of September 30, 2007 and 2006 in conformity with U.S. generally accepted accounting principles.

A handwritten signature in cursive script, appearing to read "Mayer Hoffman M. Cann P.C.", written in black ink.

Minneapolis, Minnesota  
November 13, 2007

**THE OAK RIDGE FINANCIAL SERVICES GROUP, INC**

**STATEMENTS OF FINANCIAL CONDITION**

September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b><u>ASSETS</u></b>		
ASSETS		
Cash	\$ 964,395	\$ 500,285
Deposit with clearing organizations	250,000	300,000
Receivable from:		
Clearing organization	441,295	425,119
Employees	68,486	6,779
Affiliate	159,870	153,971
Securities owned, at market value	42,749	188,068
Furniture and fixtures	560,052	535,278
Accumulated depreciation	(475,758)	(436,158)
Other assets	71,882	77,438
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 2,082,971</u>	<u>\$ 1,750,780</u>
<b><u>LIABILITIES</u></b>		
LIABILITIES		
Payable to employees	\$ 64,339	\$ 228,476
Accounts payable and accrued expenses	572,534	509,227
TOTAL LIABILITIES	<u>636,873</u>	<u>737,703</u>
<b><u>STOCKHOLDERS' EQUITY</u></b>		
CAPITAL CONTRIBUTED		
Common stock, par value \$.01, authorized 1,000,000 shares, issued and outstanding 720 shares	7	7
Additional paid-in capital	5,385,705	5,385,705
TOTAL CAPITAL CONTRIBUTED	<u>5,385,712</u>	<u>5,385,712</u>
ACCUMULATED DEFICIT	<u>(3,939,614)</u>	<u>(4,372,635)</u>
	<u>                    </u>	<u>                    </u>
TOTAL STOCKHOLDERS' EQUITY	<u>1,446,098</u>	<u>1,013,077</u>
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 2,082,971</u>	<u>\$ 1,750,780</u>

See Notes to Financial Statements

**THE OAK RIDGE FINANCIAL SERVICES GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**( 1 ) Nature of business and significant accounting policies**

**Nature of business** - The Oak Ridge Financial Services Group, Inc. is principally engaged in providing security brokerage, investment banking and related financial services to individuals, institutions and corporations. The Company serves customers throughout the United States but its customers are primarily concentrated in the Upper Midwest.

Oakridge Financial Services Group, Inc, (the Company), a registered securities broker-dealer, is a wholly owned subsidiary of Oakridge Holding Corporation (Holdings).

**Cash and cash equivalents** - For purposes of reporting the statement of cash flows, the Company includes only demand deposit accounts as cash on the accompanying statement of financial condition. At times, cash balances may be in excess of FDIC insurance limits. The Company has not experienced any losses on such accounts. The Company believes it is not exposed to any significant credit risk on cash.

**Use of estimates** - The preparation of financial statements in conformity with U.S. 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Receivables and credit policies** - Receivables from clearing organizations for commissions earned by the Company are paid within 30 days of the close of business. Employee receivables principally consist of interest bearing loans due two years from the date of employment. The employee receivables are stated at the principal amount plus any accrued and unpaid interest. An employee receivable is considered delinquent if not paid on its maturity date. At that time, the note is placed on nonaccrual status.

Payments of notes receivable are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance.

The carrying amounts of employee receivables are reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all employee receivables balances monthly and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected.

THE OAK RIDGE FINANCIAL SERVICES GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

( 1 ) Nature of business and significant accounting policies (continued)

**Revenue recognition:**

**Underwritings** - Underwriting fees are recorded at the time the underwriting is completed and the income is readily determinable.

**Consulting Fees** - Consulting and financial service fees relating to investment banking activities are recognized as the services are performed and collection is reasonably assured.

**Securities transactions** - Securities transactions with customers and the related commission income and expense are recorded on a settlement-date basis, generally the third business day following the transaction. The impact of unsettled transactions on securities owned, securities sold but not yet purchased, and income net of related expenses is not material.

Securities owned and securities sold but not yet purchased are stated at estimated fair market value for financial statement purposes, and unrealized gains and losses are included in operations.

**Furniture and fixtures** - Furniture and fixtures are recorded at cost. Expenditures for additions and improvements are capitalized, while repairs and maintenance costs are charged to expense.

The cost of furniture and fixtures is depreciated on a straight-line basis over the estimated useful lives of three to seven years. Total depreciation expense is \$40,000 for both the years ended September 30, 2007 and 2006.

**Income taxes** - The Company files a consolidated tax return with its parent company who, effective November 1, 2004, with the consent of its stockholders, has elected to be taxed under sections of the federal and state income tax laws which provide that, in lieu of corporation income taxes, the stockholders separately account for the Company items of income, deductions, losses, and credits. Therefore, these statements do not include any provision for corporate income taxes.

**Recently Issued Accounting Pronouncements:**

**FIN 48** - During June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes -- an interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting for uncertainty in income taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for year ended 2009.

**THE OAK RIDGE FINANCIAL SERVICES GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**( 1 ) Nature of business and significant accounting policies (continued)**

**Recently Issued Accounting Pronouncements (continued):**

**SFAS 157** - During September 2006, the FASB issued SFAS 157, "Fair Value Measurements" ("SFAS 157"), which provides enhanced guidance for using fair value to measure assets and liabilities. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is required to adopt the provisions of SFAS 157 in 2008 and is currently evaluating the effects, if any, that this pronouncement may have on the financial statements.

**( 2 ) Securities owned and securities sold but not yet purchased**

Securities owned and securities sold but not yet purchased that are readily marketable are carried at quoted market values. Trading and investment securities not readily marketable are carried at fair value as determined by management. Unrealized gains and losses are included in operations.

The securities are as follows:

	<b>September 30,</b>	
	<b>2007</b>	<b>2006</b>
Securities owned:		
Trading securities - corporate bonds	\$ 43,000	\$ 188,000

**( 3 ) Employee benefit plans**

The Company has a 401(k) plan covering substantially all of its employees. The plan provides for participating employees to make elective deferral contributions to the plan. The Company has not made any discretionary or matching contributions to the plan for the years ended September 30, 2007 and 2006.

**( 4 ) Operating leases**

The Company leases its office under operating leases.

The lease requires base lease payments of \$17,050 to \$12,950 over the lease term to July 31, 2011. In addition the Company is required to pay common area charges and a pro-rata share of certain operating and real estate tax expenses.

**THE OAK RIDGE FINANCIAL SERVICES GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**( 4 ) Operating leases (continued)**

The future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year are as follows:

<u>Years Ending September 30,</u>	<u>Total</u>
2008	\$ 206,000
2009	209,000
2010	152,000
2011	<u>156,000</u>
Totals	<u>\$ 723,000</u>

Total rental expense under operating leases with terms in excess of one month was as follows:

	<u>Years Ending September 30,</u>	
	<u>2007</u>	<u>2006</u>
Minimum rentals	\$ 192,000	\$ 165,000
Common area charges	<u>140,000</u>	<u>65,000</u>
Totals	<u>\$ 332,000</u>	<u>\$ 230,000</u>

**( 5 ) Commitments and contingencies**

In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

**( 6 ) Net capital requirements**

The Company is subject to the Securities and Exchange Commission's (the Commission) 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 under such provisions, shall not exceed 15 to 1. In addition, the Company may be prohibited from expanding its business or paying cash dividends if its ratio of aggregate indebtedness to net capital is greater than 10 to 1. At September 30, 2007, the Company's net capital of \$1,038,600 was \$938,600 in excess of the required net capital of \$100,000 and the ratio of aggregate indebtedness to net capital was 1.61 to 1.

THE OAK RIDGE FINANCIAL SERVICES GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

( 7 ) **Exemption**

The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission. Therefore, the Company is not required to make the periodic computations of reserve requirements for the exclusive benefit of customers.

( 8 ) **Financial instruments with off-balance-sheet risk**

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities and option transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer is unable to fulfill its contracted obligations. The Company clears all transactions for its customers on a fully disclosed basis with two clearing firms that carry all customer accounts and maintain related records. Nonetheless, the Company is liable to the clearing firms for the transactions of its customers. These activities may expose the Company to off-balance-sheet risk in the event a counter party is unable to fulfill its contractual obligations.

Customer securities transactions are recorded on a settlement-date basis, which is generally three business days after the trade date. The Company is therefore exposed to risk of loss on these transactions in the event of the customer's or broker's inability to meet the terms of their contracts in which case the Company may have to purchase or sell financial instruments at prevailing market prices. The impact of unsettled transactions on securities owned, securities sold but not yet purchased, and income net of related expenses is not material.

The Company's customer securities activities are transacted on either a cash or margin basis. The Company seeks to control the risks associated with its customer margin activities by requiring customers to maintain margin collateral in compliance with regulatory and internal guidelines. The Company monitors required margin levels daily, and pursuant to such guidelines, require that customers deposit additional collateral, or reduce margin positions, when necessary.

The Company carries securities sold but not yet purchased (short sales) at market value for financial statement purposes. Due to market fluctuations, the amount necessary to acquire and deliver securities sold but not yet purchased may become greater than the obligation already recorded on the financial statements.

( 9 ) **Income taxes**

The Company had elected S corporation status until February 28, 2001 and any income or loss was recognized by the Company's stockholders on their personal tax returns. The accumulated deficit through February 28, 2001 was reclassified to additional paid-in capital during 2001.

**THE OAK RIDGE FINANCIAL SERVICES GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**( 9 ) Income taxes (continued)**

From March 1, 2001 through November 1, 2004, the Company generated net operating losses of approximately \$2,290,000 for federal tax purposes, which, if not used to offset future taxable income, will begin to expire in 2021. As a result of the November 1, 2004 change in the Company's ownership and the election of S corporation status there are limitations placed on the use of this net operating loss carryforward. A valuation allowance has been established for the entire deferred tax asset, which is primarily related to net operating loss carryforwards, due to the uncertainty of using the tax benefit of the net operating loss carryforwards before they expire. The Company files a consolidated tax return with the Holdings.

**( 10 ) Deposit with clearing organizations**

The Company clears securities transactions with two organizations. The Company had \$250,000 and \$300,000 on deposit with the two organizations at September 30, 2007 and 2006, respectively.

**( 11 ) Related party transactions**

The Company paid certain operating expenses on behalf of Holdings during the years ending September 30, 2007 and 2006 in the amount of \$5,900 and \$11,000, respectively. Holdings owed the Company \$160,000 and \$154,000 as of years ending September 30, 2007 and 2006 respectively. ●

**END**