



SECUI **07008755** MISSION  
 Washington, D.C. 20549

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

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

**SEC FILE NUMBER**  
**8-47195**

**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 November 1, 2006 AND ENDING October 31, 2007  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
 George K. Baum & Company

**OFFICIAL USE ONLY**  
 \_\_\_\_\_  
**FIRM I.D. NO.**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
 Plaza Colonnade, 4801 Main Street, Suite 500

**PROCESSED**

**JAN 22 2008**

**THOMSON  
 FINANCIAL**

(No. and Street)  
 \_\_\_\_\_  
 Kansas City Missouri 64112  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
 Dana L. Bjornson, CFO/EVP (816) 474-1100  
(Area Code - Telephone No.)

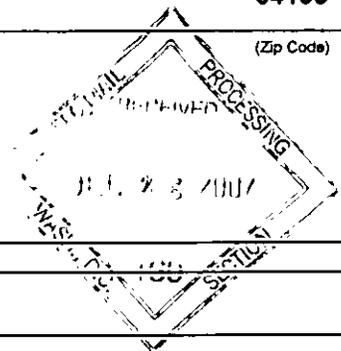
**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
**Ernst & Young LLP**

(Name - of individual, state last, first, middle name)  
**One Kansas City Place, 1200 Main Street Kansas City Missouri 64105**  
(Address) (City) (State) (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).

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1/21/08

OATH OR AFFIRMATION

I, Dana L. Bjornson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of George K. Baum & Company, as of October 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:

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

LAURA J BRUNTZ  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Jackson County  
My Commission Expires: July 11, 2011  
Commission Number: 07114359

*Laura Bruntz*  
Notary Public

*[Signature]*  
Signature  
CFO/Executive Vice President  
Title

This report \*\* contains (check all applicable boxes):

- X (a) Facing Page.
- X (b) Statement of Financial Condition.
- X (c) Statement of Operations.
- X (d) Statement of Cash Flows.
- X (e) Statement of Changes in Stockholder's Equity.
- X (f) Statement of Changes in Subordinated Liabilities.
- X (g) Computation of Net Capital for Broker-Dealers Under Rule 15c3-1.
- X (h) Computation for Determination of Reserve Requirements for Broker-Dealers Under Rule 15c3-3.
- X (i) Information Relating to 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.
- X (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.
- X (o) Independent registered public accounting firm's report on internal control.
- (p) Schedule of segregation requirements and funds in segregation – customers' regulated commodity futures account pursuant to Rule 171-5.

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

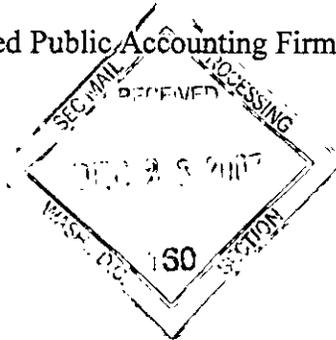
STATEMENT OF FINANCIAL CONDITION

George K. Baum & Company

SEC File Number: 8-47195

October 31, 2007

With Report of Independent Registered Public Accounting Firm



George K. Baum & Company

Statement of Financial Condition

October 31, 2007

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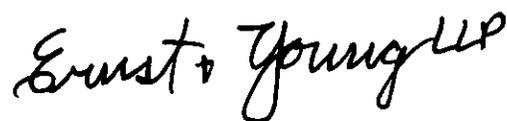
## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholder  
George K. Baum & Company

We have audited the accompanying statement of financial condition of George K. Baum & Company (the Company) as of October 31, 2007. The statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above present fairly, in all material respects, the financial position of George K. Baum & Company at October 31, 2007, in conformity with U.S. generally accepted accounting principles.



Kansas City, Missouri  
December 21, 2007

George K. Baum & Company

Statement of Financial Condition

October 31, 2007

**Assets**

Cash and cash equivalents		\$ 20,711,905
Receivables from customers		3,038,615
Receivables from brokers, dealers, and clearing organizations		4,532,192
Investments, at fair value:		
U.S. government obligations	\$ 1,055,111	
State and municipal obligations	16,901,702	
Corporate debt obligations	606,466	
Other investments	819,805	
		<u>19,383,084</u>
Fixed assets, net		1,291,865
Prepays and other assets		6,875,020
		<u>\$ 55,832,681</u>

**Liabilities and stockholder's equity**

Payables to customers	\$ 565,152	
Payables to brokers, dealers, and clearing organizations	7,521,679	
Payables to affiliates	1,431,763	
Accrued compensation and benefits	16,085,962	
Other liabilities and accrued expenses	8,276,477	
		<u>33,881,033</u>
Subordinated liabilities	3,951,648	
Stockholder's equity	18,000,000	
		<u>\$ 55,832,681</u>

*See accompanying notes.*

# George K. Baum & Company

## Notes to Statement of Financial Condition

October 31, 2007

### **1. Organization**

George K. Baum & Company (the Company) is a wholly owned subsidiary of George K. Baum Holdings, Inc. (the Parent). The Company is a registered broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority (FINRA). The Company, which provides a range of investment banking services, is a leading underwriter of tax-exempt securities.

### **2. Significant Accounting Policies**

#### **Revenue Recognition**

Securities transactions and related commissions and trading revenues, primarily principal transactions, and expenses are recorded on a trade-date basis. Underwriting revenues are recorded on the closing date of the transactions, net of syndicate expenses, and advisory fee income is recorded when the services to be performed are completed.

#### **Cash and Cash Equivalents**

Cash and cash equivalents represent amounts on deposit with various financial institutions and investments in money market mutual funds.

#### **Investments**

Investments are stated at fair value. Fair value generally is based on published market prices. If no published market prices exist, fair value is based on other relevant factors including dealer price quotations and valuation pricing models, which take into account time value and volatility factors underlying the securities.

#### **Receivables from and Payables to Customers**

Receivables from and payables to customers include amounts due on cash and margin transactions. Securities owned by customers, but not fully paid for, are held as collateral against the receivables. Such collateral is not reflected in the accompanying statement of financial condition. Included in payables to customers are free credit balances of \$460,763.

## George K. Baum & Company

### Notes to Statement of Financial Condition (continued)

#### **2. Significant Accounting Policies (continued)**

##### **Prepays and Other Assets**

Prepays and other assets are comprised principally of the cash value of life insurance contracts owned in connection with the Company's deferred compensation plan and loans to employees. These loans are generally forgivable based on continued employment.

##### **Fixed Assets**

Fixed assets are recorded at cost and consist of leasehold improvements, which are amortized using the straight-line method over the shorter of the lease term or useful life, and furniture and equipment, which are depreciated using the straight-line method over the estimated useful lives of the assets. Fixed assets are presented net of accumulated depreciation and amortization of \$987,914.

##### **Income Taxes**

The Parent filed an election, which was approved by the Internal Revenue Service, to be treated as an S corporation for income tax purposes effective January 1, 2007, at which time the Company filed an election to be treated as a Qualified Subchapter S Subsidiary. As an S corporation, the income tax due on the taxable income of the Company after December 31, 2006, is the obligation of the shareholders of the Parent. Therefore, all associated deferred tax assets were eliminated at December 31, 2006.

For the period ended December 31, 2006, the Company is included in the consolidated federal income tax return filed by the Parent. The Company files separate state and local income tax returns, in accordance with a tax sharing agreement between the Parent and its subsidiaries, and such taxes are settled through the intercompany account with its Parent.

##### **Use of Estimates**

The preparation of the statement of financial condition 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 the statement of financial condition. Actual results may differ from those estimates.

George K. Baum & Company

Notes to Statement of Financial Condition (continued)

**2. Significant Accounting Policies (continued)**

**Statement of Financial Accounting Standards (SFAS) No. 157**

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 clarifies the definition of fair value and the methods used to measure fair value and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. Therefore, SFAS No. 157 will be effective for the Company's fiscal year beginning November 1, 2008. The Company is analyzing the impact of adopting SFAS No. 157.

**3. Employee Benefits**

The Company provides a defined contribution 401(k) profit-sharing plan for all full-time employees. The Company's matching contribution is comprised of both formula based and discretionary amounts.

Certain employees participate in a deferred compensation plan offered by the Company. Participants voluntarily defer a portion of their compensation, which is invested in a variety of approved investments for a minimum period of five years.

**4. Lease and Other Long-Term Obligations**

The Company is obligated to pay rent for office space under noncancelable operating leases with minimum annual rental payments. Such leases are subject to escalation clauses covering operating expenses and real estate taxes. Expected minimum annual rental payments for years ending October 31 are as follows:

	<b><u>Minimum Annual Rental Payments</u></b>
2008	\$ 2,591,105
2009	2,165,032
2010	1,297,670
2011	1,132,611
2012	1,090,265
Thereafter	1,957,456
	<u><u>\$ 10,234,139</u></u>

## George K. Baum & Company

### Notes to Statement of Financial Condition (continued)

#### **4. Lease and Other Long-Term Obligations (continued)**

The Company has a long-term obligation consisting of three annual payments of \$1,900,000. This obligation is included in other liabilities and accrued expenses and has an unamortized discount of \$313,108 at October 31, 2007, that will be amortized to expense over the life of the obligation.

#### **5. Commitments and Contingencies**

The Company is a party to certain financial instruments and contracts with off-balance-sheet risk in the normal course of principal trading, securities underwriting, and clearance of securities transactions. These financial instruments involve elements of market risk whose ultimate obligation may exceed the amount recognized in the statement of financial condition.

As a result of the nature of the Company's business, certain transactions underwritten by the Company and by other broker-dealers are the subject of reviews by various governmental agencies. These reviews do not currently involve any actual or threatened direct claims against the Company.

As a securities broker-dealer, the Company maintains margin and cash security accounts for its customers and may extend credit to its customers subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customer's account. In the event a customer fails to satisfy its obligations, the Company may be required to purchase or sell securities at prevailing market prices in order to fulfill the customer's obligations. The Company monitors required margin levels daily and, pursuant to such guidelines, requires customers to deposit additional collateral or reduce positions, when necessary.

The Company seeks to minimize the above off-balance-sheet risks and credit risks through a variety of reporting and control procedures. Among the policies of the Company to address these risks, besides maintaining collateral in compliance with regulatory and internal requirements, is the setting and monitoring of credit limits for customers and other brokers with which it conducts significant transactions and continuous monitoring of market exposure and counterparty risk.

#### **6. Short-Term Borrowings**

In the ordinary course of business, the Company borrows funds under uncommitted lines of credit. Short-term borrowings are secured by company-owned securities and are payable on demand. Interest is charged at fluctuating rates tied to the daily federal funds rate. Under these lines of credit, the Company had no outstanding borrowings at October 31, 2007.

## George K. Baum & Company

### Notes to Statement of Financial Condition (continued)

#### **7. Subordinated Liabilities**

The Company has subordinated liabilities of \$3,951,648 relating to the Company's deferred compensation plan. The subordination agreements have been approved by the Company's designated self-regulatory organization and therefore are allowable in the computation of net capital under the Securities and Exchange Commission rules. The subordinated liabilities are secondary to the claims of all other creditors, and to the extent these liabilities are necessary for the Company's continued compliance with minimum net capital requirements, they may not be paid out.

#### **8. Financial Instruments**

The Company's financial instruments are recorded at fair value or contract amount, which approximates fair value, in the Company's statement of financial condition. Financial instruments that are recorded by the Company at contract amounts include receivables from and payables to brokers, dealers, and clearing organizations; receivables from and payables to affiliates and customers; and subordinated liabilities. The financial instruments carried at contract amounts have short-term maturities (one year or less), are repriced frequently, or bear market interest rates.

#### **9. Related-Party Transactions**

The Company performs certain administrative services for affiliated entities for which it receives a monthly cost reimbursement. Additionally, the Company has a compensation and facilities-sharing arrangement with an affiliated entity.

#### **10. Net Capital Requirements and Other Regulatory Matters**

As a registered broker-dealer with the Securities and Exchange Commission (the SEC), the Company is subject to the SEC's net capital rule (Rule 15c3-1). The Company computes its net capital requirements under the alternative method provided for in Rule 15c3-1, which requires that the Company maintain net capital equal to the greater of 2% of aggregate customer-related debit items, as defined, or \$250,000.

At October 31, 2007, the Company had net capital of \$16,115,664, which was 512% of aggregate debit balances and \$15,865,664 in excess of the required net capital.

Advances to affiliates, repayment of subordinated liabilities, dividend payments, and other equity withdrawals are subject to certain notification and other provisions of the net capital rule of the SEC and other regulatory bodies.