



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

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

SEC FILE NUMBER
8- 53711

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 01/01/07 AND ENDING 12/31/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Griffin Financial Group, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

607 Washington Street

(No. and Street)

Reading
(City)

Pennsylvania
(State)

19603
(Zip Code)

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

John M. Durofchalk

610-478-2134

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Tomasi & Company, LLP

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

4641 Pottsville Pike, Suite F-106

Reading

Pennsylvania

19605

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

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FINANCIAL

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Section

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Washington, DC
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*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)

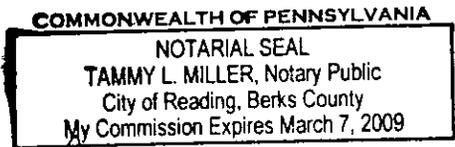
SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, John M. Durofchalk, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Griffin Financial Group, LLC, as of December 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:



[Signature]
Signature
CEO/FinOp
Title

Tammy L. Miller
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).

GRIFFIN FINANCIAL GROUP, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

Tomasi
Company LLP

Certified Public Accountants & Consultants

GRIFFIN FINANCIAL GROUP, LLC

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Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Member
Griffin Financial Group, LLC
Reading, Pennsylvania

We have audited the accompanying statements of financial condition of Griffin Financial Group, LLC (the Company) as of December 31, 2007 and 2006, and the related statements of income, changes in member's equity, and cash flows for the years then ended that you are filing pursuant to rule 17a-5 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 auditing standards generally accepted in the United States of America. 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 Griffin Financial Group, LLC as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit 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.

Tomasini & Company LLP

February 21, 2008

GRIFFIN FINANCIAL GROUP, LLC

STATEMENTS OF FINANCIAL CONDITION

ASSETS

	December	
	2007	2006
Cash	\$ 2,022,120	\$ 1,533,325
Advanced client expense	136,586	170,548
Prepaid expenses	167,427	238,184
Equipment, at cost, less accumulated depreciation of \$7,125 and \$3,739 respectively in 2007 and 2006	<u>6,983</u>	<u>7,262</u>
TOTAL ASSETS	<u>\$ 2,333,116</u>	<u>\$ 1,949,319</u>

LIABILITIES AND MEMBER'S EQUITY

LIABILITIES

Accrued PA capital stock tax	\$ 39,929	\$ 44,929
Payable to related party	232,321	49,421
Deferred revenue	<u>136,586</u>	<u>170,548</u>
	408,836	264,898

MEMBER'S EQUITY

TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 2,333,116</u>	<u>\$ 1,949,319</u>
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The Accompanying Notes Are An Integral Part of These Financial Statements

GRIFFIN FINANCIAL GROUP, LLC

STATEMENTS OF INCOME

	December	
	2007	2006
REVENUES		
Commissions	\$ 9,455,053	\$ 12,517,763
Client expense reimbursements	88,994	105,336
Other Income	35,000	-0-
Interest income	<u>108,954</u>	<u>406,383</u>
TOTAL REVENUES	9,688,001	13,029,482
EXPENSES		
Employee and subcontracting compensation and related expenses	5,127,548	2,826,639
Insurance	338,828	320,414
Client charges – meals, mileage/other	166,452	141,406
Professional dues and fees	163,120	101,306
Client development - meals, mileage/other	118,023	129,119
Promotional and marketing	110,022	157,569
Occupancy and storage	91,442	75,531
Capital stock tax	89,293	73,000
Professional services	53,777	363,128
Report binding	39,969	23,176
Seminars and continuing education	38,335	16,051
Postage and delivery	18,601	23,796
Telephone	17,324	10,726
Charitable contributions	13,295	-0-
Computer expenses	11,693	2,787
Office supplies	11,251	18,003
Taxes - other	5,085	-0-
Depreciation	3,386	3,404
Miscellaneous	367	2,485
Advertising	331	2,894
Investment fees	-0-	2,413
Bank fees	<u>-0-</u>	<u>1,454</u>
TOTAL EXPENSES	<u>6,418,142</u>	<u>4,295,301</u>
NET INCOME	<u>\$ 3,269,859</u>	<u>\$ 8,734,181</u>

The Accompanying Notes Are An Integral Part of These Financial Statements

GRIFFIN FINANCIAL GROUP, LLC

STATEMENTS OF CHANGES IN MEMBER'S EQUITY

	December	
	2007	2006
BALANCE – Beginning of Year	\$ 1,684,421	\$ 2,275,240
Net income	3,269,859	8,734,181
Member distribution	<u>(3,030,000)</u>	<u>(9,325,000)</u>
BALANCE – End of Year	<u>\$ 1,924,280</u>	<u>\$ 1,684,421</u>

The Accompanying Notes Are An Integral Part of These Financial Statements

GRIFFIN FINANCIAL GROUP, LLC

STATEMENTS OF CASH FLOWS

	December	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,269,859	\$ 8,734,181
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,386	3,404
(Increase) decrease in operating assets:		
Receivable from clients	-0-	931,507
Receivable from related party	-0-	37,067
Advanced client expense	33,962	17,232
Prepaid expenses	70,757	(14,555)
Increase (decrease) in operating liabilities:		
Accrued PA capital stock tax	(5,000)	12,000
Payable to related party	182,900	49,421
Deferred revenue	<u>(33,962)</u>	<u>(17,232)</u>
Net Cash Provided by Operating Activities	3,521,902	9,753,025
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(3,107)	(4,311)
CASH FLOWS FROM FINANCING ACTIVITIES		
Member distribution	<u>(3,030,000)</u>	<u>(9,325,000)</u>
NET INCREASE IN CASH	488,795	423,714
CASH – Beginning of Year	<u>1,533,325</u>	<u>1,109,611</u>
CASH – End of Year	<u>\$ 2,022,120</u>	<u>\$ 1,533,325</u>

The Accompanying Notes Are An Integral Part of These Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Griffin Financial Group, LLC is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Organization and Nature of Business

The Company is a broker-dealer registered with the Securities Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD). Griffin Financial Group, LLC is formed as a single member Pennsylvania Limited Liability Company. Since the Company is a limited liability company, no member, manager, agent or employee of the Company shall be personally liable for the debts, obligations, or other liabilities of the Company, whether arising in contract, tort or otherwise, or for the acts or omissions of any other member, director, manager, agent or employee of the Company, unless the individual has signed a specific personal guarantee. The duration of the Company is perpetual. The Company provides merger and acquisition related advisory services in an open market and is subject to SEC rule 17a-5 but operates pursuant to the (k)(2)(i) exemptive provisions of SEC rule 15c3-3 and does not hold clients' funds or securities. The Company is registered according to the \$5,000 net capital provisions of SEC rule 15c3-1 (see Note 4).

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

All cash in bank accounts are considered cash and cash equivalents. The Company maintains its cash balances in one financial institution located in Reading, Pennsylvania. The accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. From time to time throughout the year and at year end, the cash balances exceed the insured limits.

Revenue Recognition

The Company does not recognize revenue until a transaction is complete unless there is a stipulated non-refundable retainer or a periodic billing for accumulated client advances as part of the arrangement letter with a client. Typically, there are no accounts receivable because Griffin Financial Group, LLC is paid its success fee or commission close to or immediately at closing or upon a qualifying event.

GRIFFIN FINANCIAL GROUP, LLC

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

The Company's involvement with mergers and acquisitions is primarily in the northeastern section of the United States. Therefore, the national economy as well as the economy within this region could have an influence on the volume of fees generated by Griffin Financial Group, LLC. In the event the markets are slow, the company is dependent on its member, Griffin Holdings Group, LLC, to contribute sufficient capital to satisfy operating costs and required levels of net capital.

Property and Equipment

Property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in the results of operations.

Depreciation is calculated using an accelerated method over the estimated useful lives of the respective assets. Depreciation expense charged to operations was \$3,386 in 2007 and \$3,404 in 2006.

Advertising and Marketing

Advertising and marketing costs are expensed as incurred. Advertising and marketing expense was \$110,353 and \$160,463 for 2007 and 2006, respectively.

NOTE 2 MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

Griffin Holdings Group, LLC (GHG) is owned by Stevens & Lee, P.C., a Pennsylvania Professional Corporation. Griffin Holdings Group, LLC is a 100% owner of Griffin Financial Group, LLC (GFG). Griffin Holdings Group, LLC entered into a management agreement with GFG to provide various services to GFG. Such services include, but are not limited to, personnel, administrative, and all other services as may be required by GFG to conduct its business. The agreement renews automatically on one-year renewal terms unless either party terminates the agreement as of any December 31st by giving the other party at least thirty days notice. Griffin Holdings Group, LLC will provide personnel and administrative services on a fee reimbursement basis.

Employees performing services on behalf of GFG shall remain at all times employees of GHG. Griffin Holdings Group, or its affiliate, remains responsible for the withholding and payment of all required federal, state, and local taxes with respect to their employees. Griffin Financial Group, LLC will reimburse GHG for payroll and all related costs. Other administrative costs are invoiced by GHG based on a proportional share of space, utilities, and other services provided.

GRIFFIN FINANCIAL GROUP, LLC

NOTES TO FINANCIAL STATEMENTS

NOTE 2 MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS (CONT.)

The amount of employee and subcontracting compensation and related expenses provided by GHG and charged to operations was \$5,022,811 in 2007 and \$2,721,775 in 2006. In 2007, \$4,790,489 was paid and the remainder of \$232,321 is classified as a related party payable while in 2006, \$2,672,354 was paid to GHG and \$49,421 was reflected as payable. Griffin Financial Group, LLC paid Stevens and Lee \$90,000 for occupancy in 2007 and GHG \$75,000 in 2006.

At December 31, 2007 and 2006, there is a related party payable of \$232,321 and \$49,421, respectively. The Company also paid an agent who is a related party for insurance during 2007. The total premium including commissions was \$140,902. In 2007 the Company generated \$-0- of fee revenue from the related party and \$300,000 in 2006.

NOTE 3 INCOME TAXES

The Company and its member has elected under the Internal Revenue Code to be a non-taxpaying entity for federal and state income tax purposes. In lieu of a company level tax, the member is taxed on its proportionate share of the Company's taxable income. Therefore, no provision or liability for income taxes has been included in the accompanying financial statements.

NOTE 4 NET CAPITAL REQUIREMENTS

Griffin Financial Group, LLC is subjected to the Securities and Exchange Commission net capital rule (SEC 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, 2007 and 2006, the Company had net capital of \$1,749,870 and \$1,438,975, which was \$1,731,720 and \$1,432,725 in excess of its required net capital of \$18,150 and \$6,250 in 2007 and 2006, respectively. The Company's aggregate indebtedness as of December 31, 2007 was \$272,250 and \$94,350 as of December 31, 2006 and has met the ratio requirement referred to above.

NOTE 5 OCCUPANCY

Beginning January 1, 2005, the Company entered into an informal arrangement with Griffin Holdings Group, LLC for office space and common area maintenance charges. In 2007 and 2006, approximately 6,000 and 5,000 square feet of office space was being utilized with an average comparable price of \$15 per square foot. The arrangement is calculated on a monthly basis at \$7,500 in 2007 and \$6,250 in 2006, and is subject to cancellation or variation in terms depending on the circumstances.

NOTE 6 COMMITMENT

In February 2006, the Company pledged through a non-binding agreement to contribute \$125,000 to a local organization. The agreement calls for five annual payments beginning in 2006 and ending in 2010. The amount charged to operations in 2007 was \$25,000 and \$20,000 in 2006, respectively. The Company, although not legally obligated to do so, plans to follow through with the scheduled annual contributions.

SUPPLEMENTARY INFORMATION

GRIFFIN FINANCIAL GROUP, LLC

COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1 OF THE SECURITIES AND EXCHANGE COMMISSION

SCHEDULE I

	December	
	2007	2006
TOTAL ASSETS	\$ 2,333,116	\$ 1,949,319
TOTAL LIABILITIES	<u>408,836</u>	<u>264,898</u>
NET WORTH	1,924,280	1,684,421
SUBORDINATED LOANS	<u>-0-</u>	<u>-0-</u>
ADJUSTED NET WORTH	1,924,280	1,684,421
LESS NET NON-ALLOWABLE ASSETS	<u>174,410</u>	<u>245,446</u>
CURRENT CAPITAL	1,749,870	1,438,975
LESS HAIRCUTS	<u>-0-</u>	<u>-0-</u>
NET CAPITAL	1,749,870	1,438,975
REQUIRED NET CAPITAL	<u>18,150</u>	<u>6,250</u>
EXCESS NET CAPITAL	<u>\$ 1,731,720</u>	<u>\$ 1,432,725</u>
AGGREGATE INDEBTEDNESS	\$ 272,250	\$ 94,350
AGGREGATE INDEBTEDNESS TO NET CAPITAL	.16	.07

The Accompanying Notes Are An Integral Part of These Financial Statements

GRIFFIN FINANCIAL GROUP, LLC

COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1 OF THE SECURITIES AND EXCHANGE COMMISSION – (SCHEDULE I CONTINUED)

	December	
	2007	2006
RECONCILIATION WITH COMPANY'S COMPUTATION (INCLUDED IN PART II OF FORM X-17A-5)		
Net Capital, as reported in Company's Part II (unaudited) FOCUS report	\$ 1,789,798	\$ 1,483,902
Non-allowable assets prepaid expenses	-0-	-0-
Audit adjustment to record client receivable	-0-	-0-
Audit adjustment to record additional capital stock tax expense and rounding	(39,928)	(44,927)
Audit adjustment to reclassify expenses to prepaid	<u>-0-</u>	<u>-0-</u>
Net Capital Per Above	<u>\$ 1,749,870</u>	<u>\$ 1,438,975</u>

The Accompanying Notes Are An Integral Part of These Financial Statements

INTERNAL CONTROL



Certified Public Accountants & Consultants

REPORT ON INTERNAL CONTROL

To the Member
Griffin Financial Group, LLC

In planning and performing our audit of the financial statements and supplemental schedule of Griffin Financial Group, LLC (the Company), for the years ended December 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's 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 consideration of control activities for safeguarding securities. This study included 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 (or aggregate debits) 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 and recordation of differences required by rule 17a-13
2. 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 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 and 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.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and 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, as described in the second paragraph of this report, were adequate at December 31, 2007 and 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, 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.

Somasi & Company LLP

February 21, 2008

END