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SECURITIES AND EXCHANGE COMMISSION
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ANNUAL AUDITED REPORT
FORM X-17A-5 SEC Mail Processing Section
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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5¹¹⁰ Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2008 AND ENDING 12/31/2008
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Joseph James Financial Services, Inc.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
3993 Ridgemonte Court

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

Rochester

Michigan

48306

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Joseph Giordano (248) 371-9990
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Sherman B. Harrington, CPA

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

3805 Cloverlawn Dr.

Ypsilanti

MI 48197

(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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*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)

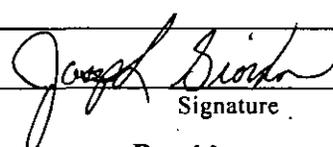
SEC 1410 (06-02)

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OATH OR AFFIRMATION

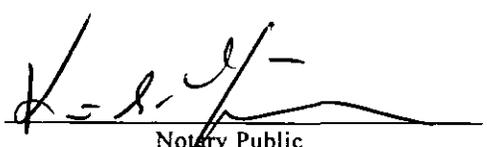
I, Joseph Giordano, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **Joseph James Financial Services, Inc.**

of December 31, 2008, 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

President

Title


Notary Public

KEVIN S. GOLDSTEIN
Notary Public, State of Michigan
County of Oakland
My Commission Expires Jan. 13, 2011
Acting in the County of OAKLAND

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).



JOSEPH JAMES FINANCIAL SERVICES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2008 and DECEMBER 31, 2007

JOSEPH JAMES FINANCIAL SERVICES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2008 and DECEMBER 31, 2007

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3805 Cloverlawn Dr.
Ypsilanti, MI 48197
Telephone (734) 961-7325
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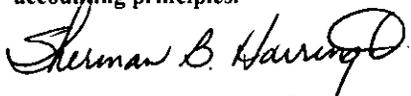
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Joseph James Financial Services, Inc.
Rochester Hills, Michigan

I have audited the accompanying statements of financial condition of Joseph James Financial Services as of December 31, 2008 and December 31, 2007 and the related statements of income, changes in stockholder's equity, changes in financial condition, and computation of net capital for the years then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on the financial statements based upon my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examination on a test basis of 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 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 Joseph James Financial Services, Inc. as of December 31, 2008 and December 31, 2007, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.



Sherman B. Harrington, CPA
Ypsilanti, Michigan
February 12, 2009

JOSEPH JAMES FINANCIAL SERVICES, INC
Statements of Financial Condition
For the years ended December 31, 2008 and December 31, 2007

ASSETS

| CURRENT ASSETS: | <u>12/31/2008</u> | <u>12/31/2007</u> |
|------------------------|--------------------------|--------------------------|
| Cash in savings | \$5 | \$0 |
| Cash in money market | 11,953 | 11,681 |
| Accounts receivable | <u>200</u> | <u>567</u> |
| Total current assets | <u>\$12,158</u> | <u>\$12,248</u> |
| TOTAL ASSETS | <u>\$12,158</u> | <u>\$12,248</u> |

LIABILITIES AND STOCKHOLDER'S EQUITY

| CURRENT LIABILITIES: | <u>12/31/2008</u> | <u>12/31/2007</u> |
|---|--------------------------|--------------------------|
| Accounts payable | <u>\$180</u> | <u>\$1,108</u> |
| Total current liabilities | <u>\$180</u> | <u>\$1,108</u> |
| STOCKHOLDER'S EQUITY: | | |
| Common stock (par value \$1.00) | | |
| Authorized shares - 50,000 | | |
| Outstanding shares - 7,900 | \$7,900 | \$7,900 |
| Retained earnings | <u>4,078</u> | <u>3,240</u> |
| Total stockholder's equity | <u>\$11,978</u> | <u>\$11,140</u> |
| TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY | <u>\$12,158</u> | <u>\$12,248</u> |

JOSEPH JAMES FINANCIAL SERVICES, INC

Statements of Income

For the years ended December 31, 2008 and December 31, 2007

| REVENUE: | <u>12/31/2008</u> | <u>12/31/2007</u> |
|--------------------------------------|-------------------|-------------------|
| Commissions | \$143,075 | \$206,187 |
| Miscellaneous | <u>272</u> | <u>582</u> |
| Total revenue | <u>\$143,347</u> | <u>\$206,769</u> |
| DIRECT EXPENSES: | | |
| Wages | \$70,000 | \$70,000 |
| Commissions | <u>4,195</u> | <u>10,390</u> |
| Total direct expenses | <u>\$74,195</u> | <u>\$80,390</u> |
| GROSS PROFIT: | <u>\$69,152</u> | <u>\$126,379</u> |
| OPERATING EXPENSES: | | |
| Regulatory fees, taxes and expenses: | \$4,129 | \$4,929 |
| Payroll taxes | 5,411 | 5,654 |
| Other expense | <u>12,070</u> | <u>20,662</u> |
| Total operating expenses | <u>\$21,610</u> | <u>\$31,245</u> |
| NET INCOME (LOSS) | <u>\$47,542</u> | <u>\$95,134</u> |

JOSEPH JAMES FINANCIAL SERVICES, INC
Statements of Changes in Stockholder's Equity
For the years ended December 31, 2008 and December 31, 2007

| | <u>2007</u> | <u>2006</u> |
|---------------------------------|-----------------|-----------------|
| Retained earnings- January 1, | \$3,240 | \$3,692 |
| Net Income (Loss) | <u>47,542</u> | <u>95,134</u> |
| Subtotal | \$50,782 | \$98,826 |
| Less: Dividends paid | <u>(46,704)</u> | <u>(95,586)</u> |
| Retained earnings- December 31, | <u>\$4,078</u> | <u>\$3,240</u> |

JOSEPH JAMES FINANCIAL SERVICES, INC
Statements of Changes in Financial Condition
For the years ended December 31, 2008 and December 31, 2007

| CASH FLOW FROM OPERATING ACTIVITIES: | <u>12/31/2008</u> | <u>12/31/2007</u> |
|--|--------------------------|--------------------------|
| Net Income (Loss) | \$47,542 | \$95,134 |
| <i>Adjustments to reconcile net income to net cash provided by operating activities:</i> | | |
| Changes in: | | |
| Accounts receivable | 367 | 7,350 |
| Accounts payable and accrued expenses | <u>(928)</u> | <u>(6,316)</u> |
| Total adjustments | <u>(\$561)</u> | <u>\$1,034</u> |
| Net cash provided by operating activities | <u>\$46,981</u> | <u>\$96,168</u> |
| CASH FLOW USED IN INVESTING ACTIVITIES: | | |
| Net cash provided by operating activities | <u>\$0</u> | <u>\$0</u> |
| CASH FLOW USED IN FINANCING ACTIVITIES: | | |
| Dividends paid | <u>(\$46,704)</u> | <u>(\$95,586)</u> |
| Net cash (used) by financing activities | <u>(\$46,704)</u> | <u>(\$95,586)</u> |
| NET INCREASE (DECREASE) IN CASH | 277 | 582 |
| Cash- Beginning of Year | <u>11,681</u> | <u>11,099</u> |
| Cash- End of Year | <u>\$11,958</u> | <u>\$11,681</u> |

JOSEPH JAMES FINANCIAL SERVICES, INC
Computation of Net Capital
For the years ended December 31, 2008 and December 31, 2007

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|--|-------------------|-------------------|
| TOTAL ASSETS | \$12,158 | \$12,248 |
| Deduction from and/or charges to equity Non-allowable liabilities | (180) | (1,108) |
| Less: | | |
| Deduction for haircuts on securities- Money Market Savings | <u>(239)</u> | <u>(234)</u> |
| NET CAPITAL PURSUANT TO RULE 15c3-1 | <u>\$11,739</u> | <u>\$10,906</u> |

JOSEPH JAMES FINANCIAL SERVICES, INC
Reconciliation of Audited and Unaudited Statements
For the years ended December 31, 2008 and December 31, 2007

| | <u>12/31/2008</u> | <u>12/31/2007</u> |
|--|-------------------|-------------------|
| Total assets reported on focus report, Part II a, Form X-17A-5 | \$12,158 | \$12,248 |
| Audit Adjustments: | None | None |
| Total Assets per Audited Statement | <u>\$12,158</u> | <u>\$12,248</u> |
| Total Liabilities reported on focus report, Part II a, Form X-17A-5 | \$180 | \$1,108 |
| Audit Adjustments: | None | None |
| Total Liabilities per Audited Statement | <u>\$180</u> | <u>\$1,108</u> |

JOSEPH JAMES FINANCIAL SERVICES, INC.

(A Michigan Corporation)

Notes to the Financial Statements

For the years ended December 31, 2008 and December 31, 2007

Note 1: Summary of Significant Accounting Policies

Business entity:

Joseph James Financial Services, Inc. is a Michigan corporation incorporated on August 26, 1986. It operates as an independent broker dealer investment advisor.

Method of Accounting:

Joseph James Financial Services Inc. records revenue and expense using the accrual method of accounting.

Accounts Receivable:

Accounts receivable from sponsoring organizations are recognized when the related security is sold. The Company does not handle customer funds. All sales of securities are made payable to the sponsoring organization. The Company uses the allowance method to account for the net realizable value of accounts receivable. No allowance for bad debts was considered necessary at either December 31, 2008 or December 31, 2007.

Federal Income Tax:

In 2006 the corporation's shareholder elected under the applicable provisions of the Internal Revenue Code to be taxed under the Subchapter S Corporation rules. Under such provisions the company generally does not incur a Federal income tax liability. Instead, net income or loss is included in computing the taxes of the sole individual shareholder. Accordingly, no provision for federal or state income taxes is provided in these financial statements.

Fees Payable:

The company accrues commissions payable to the sales representatives when the related accounts receivable is realized at the time the related security is sold. Payment of the fees is made upon collection of the related receivable. As of the balance sheet date, the Company was current with the payment of all related fees payable.

Note 2: Required Statements:

The following list of statements and schedules are not required of Joseph James Financial Services, Inc. due to the various exceptions under the applicable rules:

- ◆ Statement of Changes in Liabilities Subordinated to claims of creditors.
- ◆ Computation of Determination of Reserve Requirements under Rule 15c3-3.
- ◆ Information relating to the Possession or Control Requirements under Rule 15c3-3.
- ◆ A reconciliation, including an appropriate explanation of the Computation of Net Capital under Rule 15c3-1, and the Computation for Determination of the Reserve Requirements Under Exhibit A or Rule 15c3-3.
- ◆ A copy of the SIPC supplemental Report.

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Board of Directors
Joseph James Financial Services, Inc.
3993 Ridgemont Ct.
Rochester, MI 48306

I have examined the financial statements of Joseph James Financial Services, Inc. for the years ended December 31, 2008 and December 31, 2007, and have issued my report dated February 12, 2009. As part of my examination, I made a study and evaluation of the Company's system of internal accounting control to the extent considered necessary to evaluate the system as required by generally accepted auditing standards and Rule 17a-5 of the Securities and Exchange Commission. This study and evaluation included the accounting system, and the practices and procedures followed by the Company in making periodic computations of aggregate indebtedness for determining compliance with the exemptive provisions of Rule 15c3-3.

I did not review the practices and procedures followed by the Company in (1) making the quarterly securities examination, counts, verifications, and comparisons and the recordation of differences required under Rule 17a-12, or (2) complying with the requirements for prompt payment for securities for Section 4c of Regulation T of the Board of Governors of the Federal Reserve Board, because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities. Rule 17a-5 states that the scope for the study and evaluations should be sufficient to provide reasonable assurance that any material weaknesses existing at the date of examination would be disclosed and, with respect to Rule 15c3-3, should provide reasonable assurance of compliance, in all material respects, with the possession and control requirements of that Rule. Under generally accepted auditing standards and Rule 17a-5, the purposes of such study and evaluation are to establish a basis for reliance on the system of internal control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements; to assist the auditor in planning and performing his examination of financial statements; and to provide a basis for reporting material weaknesses in internal accounting control.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the evaluation of these actions necessarily requires estimates and judgments by management. However, for the purpose of this report under SEC Rule 17a-5, the determination of weaknesses to be reported was made without considering the practicability of corrective action by management within the framework of a cost-benefit relationship.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most

control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends on segregation of duties can be circumvented intentionally by management either with respect to the execution and recording of transactions or with accounting control to future periods is subject to the risk that the procedure may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

My examination of the financial statements made in accordance with generally accepted auditing standards, including the study and evaluation of the Company's system of internal accounting control for the period ending December 31, 2008, was made for the purposes set forth in the first paragraph of this report would not necessarily disclose all weakness in the system because it was based on selective tests of accounting records and related data. However such study and evaluation disclosed no conditions which I believe to be material weaknesses.



Sherman B. Harrington, CPA
February 12, 2009

END