



10025988

SECURITIES AND EXCHANGE COMMISSION

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FEB 1 2010

DEPARTMENT OF MARKET REGULATION

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

CM

OMB APPROVAL
OMB Number: 3235-0123
Expires: February 28, 2010
Estimated average burden
hours per response..... 12.00

SEC FILE NUMBER

8-42366

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 4/1/08 AND ENDING 3/31/09
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: The Garbasz Group, Inc

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

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

(City)

(State)

(Zip Code)

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

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Boyd Franz + Stephens LLP

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

(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)

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.

AS
2/25

THE GARBACZ GROUP, INC.

FINANCIAL STATEMENTS – PART II

MARCH 31, 2009

THE GARBACZ GROUP, INC.

STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009:

INCOME AND RETAINED EARNINGS

CASH FLOWS

CHANGES IN STOCKHOLDERS' EQUITY

COMPUTATION OF NET CAPITAL, MARCH 31, 2009

**COMMENTS ON ACCOUNTING SYSTEM, SYSTEM OF INTERNAL
CONTROL, PROCEDURES FOR SAFEGUARDING SECURITIES
AND THE PRACTICES AND PROCEDURES USED IN
COMPLYING WITH SEC RULES**

THE GARBACZ GROUP, INC.

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED MARCH 31, 2009

Revenue:		
Commissions		\$ 758,604
Interest and dividends		4,542
Gains (losses) on principal transactions including unrealized gains and losses		7,616
Other		<u>2,805</u>
		\$ 773,567
Expenses:		
Salaries	\$ 323,486	
Clearing costs	132,931	
Insurance	22,215	
Computer service	24,833	
Rent	28,493	
Profit sharing plan (Note 8)	30,000	
Payroll taxes	26,444	
Amortization	1,222	
Depreciation	12,211	
Travel and entertainment	15,455	
Fees and licenses	15,731	
Office expense	11,673	
Telephone	5,665	
Advertising	700	
Insurance - liability	15,080	
Professional fees	35,994	
Service agreements	4,274	
Auto expense	1,298	
Promotion expense	4,943	
Postage	3,106	
Subscriptions	813	
Charitable contributions	1,725	
Miscellaneous	69	
Bank charges	<u>305</u>	<u>718,666</u>
Net income before taxes		\$ 54,901
Provision for income taxes		<u>9,413</u>
Net income for the year		\$ 45,488
Retained earnings, beginning		325,052
Dividends paid		<u>(223,576)</u>
Retained earnings, ending		\$ <u><u>146,964</u></u>

See Notes to Statement of Financial Condition

THE GARBACZ GROUP, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2009

	<u>Increase (Decrease) in Cash</u>	
Cash flows from operating activities:		
Net income		\$ 45,488
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	\$ 13,433	
Realized and unrealized gains and losses on principal transactions	(7,616)	
Decrease in commissions receivable	22,838	
Increase in prepaid income taxes	(8,920)	
Increase in income tax refund receivable	(2,907)	
Decrease in accounts payable	(16,041)	
Increase in accrued expenses	<u>2,399</u>	
Total adjustments		<u>3,186</u>
Net cash provided by operating activities		\$ 48,674
Cash flows from investing activities:		
Purchase of fixed assets	\$ (8,761)	
Purchase of securities	(223,305)	
Sale of securities	<u>263,140</u>	
Net cash used in investing activities		<u>31,074</u>
Cash flows from financing activities -		
Dividends paid		(223,576)
Net decrease in cash		\$ (143,828)
Cash at beginning of year		<u>319,283</u>
Cash at end of year		<u>\$ 175,455</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for		
Income taxes	\$ 31,658	
Interest	7	

See Notes to Statement of Financial Condition

THE GARBACZ GROUP, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED MARCH 31, 2009

Stockholders' equity, April 1, 2008	\$ 350,052
Net income for the year	45,488
Dividends paid	<u>(223,576)</u>
Stockholders' equity, March 31, 2009	\$ <u>171,964</u>

See Notes to Statement of Financial Condition

THE GARBACZ GROUP, INC.
COMPUTATION OF NET CAPITAL
FOR THE YEAR ENDED MARCH 31, 2009

Schedule I

Total stockholders' equity		\$	171,964
Deductions and/or charges:			
Non-allowable assets:			
Property, furniture and equipment - depreciated			<u>18,336</u>
Net capital before haircuts on security positions		\$	153,628
Haircuts on securities:			
Trading and investment securities -			
Other securities			<u>1,912</u>
Net Capital		\$	<u><u>151,716</u></u>
Reconciliation of net capital per FOCUS Report and audit report:			
Net capital as reported by registrant in Part II of Form X-17A-5 for March 31, 2009		\$	152,851
Audit adjustments - net	\$	(3,762)	
Haircuts on investment securities		(1,912)	
Overstatement of non-allowable assets		<u>4,539</u>	<u>(1,135)</u>
		\$	<u><u>151,716</u></u>
Minimum dollar net capital requirement		\$	<u>50,000</u>
Excess net capital		\$	<u><u>101,716</u></u>

See Notes to Statement of Financial Condition

Certified Public Accountants

John P. Nanos, CPA
Stephen M. King, CPA
Michael P. Siebert, CPA



May 26, 2009

**To the Shareholders and
Board of Directors
The Garbacz Group, Inc.**

In planning and performing our audit of the financial statements of The Garbacz Group, Inc. for the year ended March 31, 2009, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures followed by The Garbacz Group, Inc. including 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 and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c-3-3. 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, count verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. 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 an internal control structure 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 internal control structure policies and procedures 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 Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that the 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 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.

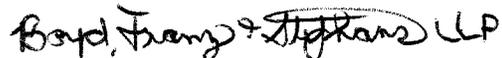
Because of the inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure elements does not reduce to a relatively low level the risk that errors or irregularities 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, we noticed no matters involving the internal control structure, including procedures 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 Commission 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 were adequate at March 31, 2009, to meet the Commission's objectives.

This report is intended solely for the use of the Board of Directors, management, the Securities and Exchange Commission, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and should not be used for any other purpose.

St. Louis, Missouri
May 26, 2009



BOYD, FRANZ & STEPHANS LLP
Certified Public Accountants