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

Washington, DC  
122

SEC FILE NUMBER  
8-50449

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 01/01/09 AND ENDING 12/31/09  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: P&A Financial Services, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

17 Court Street

(No. and Street)

Buffalo,

(City)

New York

(State)

14202

(Zip Code)

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

Paul S. Duggan

716-852-2611

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Toski, Schaefer & Co., P.C.

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

555 International Drive

(Address)

Williamsville,

(City)

New York

(State)

14221

(Zip Code)

CHECK ONE:

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

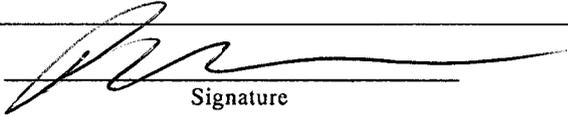
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

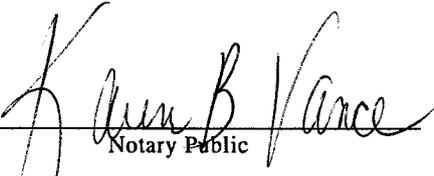
OATH OR AFFIRMATION

I, Paul S. Duggan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of P&A Financial Securities, Inc., as of December 31, 2009, 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:

N/A - None

  
Signature

President  
Title

  
Notary Public

KAREN B. VANCE  
NOTARY PUBLIC, State of New York  
Qualified in Erie County  
My Commission Expires 1/31/2011

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Operations
- (d) Statement of Cash Flows
- (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 15c3-3 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 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).

P & A FINANCIAL SECURITIES, INC.

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\* \* \* \* \*

**TOSKI, SCHAEFER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

555 INTERNATIONAL DRIVE

WILLIAMSVILLE, NEW YORK 14221

TELEPHONE (716) 634-0700

FAX (716) 634-0764

INDEPENDENT AUDITORS' REPORT

The Board of Directors  
P&A Financial Securities, Inc.:

We have audited the accompanying statement of financial condition of P&A Financial Securities, Inc. as of December 31, 2009, and the related statements of operations, changes in stockholder's equity and cash flows for the year 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 Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 P&A Financial Securities, Inc. at December 31, 2009, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Computation of Net Capital under to Rule 15c3-1 of the Securities Exchange Commission 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 our 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.

*Toski, Schaefer & Co. P.C.*

Williamsville, New York  
February 10, 2010

P&A FINANCIAL SECURITIES, INC.  
Statement of Financial Condition  
December 31, 2009

Assets

Current assets:

Cash	\$ 33,504
Accounts receivable	5,164
Commissions receivable	<u>1,472</u>
Total assets	<u>\$ 40,140</u>

Liabilities and Stockholder's Equity

Liabilities:

Accounts payable	4,918
Commissions payable	5,135
Accrued expenses	<u>8,648</u>
Total liabilities	<u>18,701</u>

Stockholder's equity:

Common stock, \$1 par value, 20,000 shares authorized; 100 shares issued and outstanding	100
Additional paid-in capital	9,900
Retained earnings	<u>11,439</u>
Total stockholder's equity	<u>21,439</u>
Total liabilities and stockholder's equity	<u>\$ 40,140</u>

See accompanying notes to financial statements.

P&A FINANCIAL SECURITIES, INC.  
Statement of Operations  
Year ended December 31, 2009

Operating income - commissions	<u>\$ 1,653,523</u>
Operating expenses:	
Commissions	1,085,751
Salaries	230,699
Insurance	41,260
Vehicles, travel and entertainment	24,798
Miscellaneous	8,081
Computer and software	7,378
Regulatory fees	6,419
Professional fees	6,280
Payroll taxes and fringe benefits	3,737
Telephone	3,141
Utilities	2,949
Postage and delivery	1,500
Dues and subscriptions	1,299
Marketing	807
Licenses and permits	365
New York State Franchise fee	750
Office supplies	<u>329</u>
Total operating expenses	<u>1,425,543</u>
Net income	<u>\$ 227,980</u>
Basic income per share	<u>\$ 2,279.80</u>

See accompanying notes to financial statements.

P&A FINANCIAL SECURITIES, INC.  
Statement of Changes in Stockholder's Equity  
Year ended December 31, 2009

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total stockholder's equity</u>
Balances at December 31, 2008	\$ 100	9,900	21,859	31,859
Net income	-	-	227,980	227,980
Stockholder distributions	-	-	(238,400)	(238,400)
Balances at December 31, 2009	<u>\$ 100</u>	<u>9,900</u>	<u>11,439</u>	<u>21,439</u>

See accompanying notes to financial statements.

P&A FINANCIAL SECURITIES, INC.  
Statement of Cash Flows  
Year ended December 31, 2009

Cash flows provided by operating activities:	
Net income	\$ 227,980
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in:	
Accounts receivable	11,029
Commissions payable	2,152
Accounts payable	(24,662)
Commissions payable	3,250
Accrued expenses	<u>8,215</u>
Net cash provided by operating activities	227,964
Cash flows used in financing activities - stockholder distributions	<u>(238,400)</u>
Net decrease in cash	(10,436)
Cash at beginning of year	<u>43,940</u>
Cash at end of year	<u><u>\$ 33,504</u></u>

See accompanying notes to financial statements.

P&A FINANCIAL SECURITIES, INC.

Notes to Financial Statements

December 31, 2009

(1) Organization

P&A Financial Securities, Inc. (the Corporation) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). The Corporation is an “introducing broker,” who does not take possession of customer funds or carry customer accounts. The Corporation was incorporated on July 23, 1997 and is engaged in a single line of business as a securities broker-dealer, primarily brokering agency transactions for mutual fund and annuity investments on behalf of its customers.

(2) Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

(a) Basis of Accounting

The books of account are maintained and financial statements are prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. Under this accrual method, revenues are recorded when earned and expenses are recorded when incurred.

(b) Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Cash and Equivalents

For purposes of reporting cash flows, cash includes money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less.

(d) Concentration of Credit Risk

The Corporation is engaged in various brokerage activities in which counterparties primarily include broker-dealers and other financial institutions. In the event counterparties do not fulfill their obligations, the Corporation may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Corporation’s policy to review, as necessary, the credit standing of each counterparty.

P&A FINANCIAL SECURITIES, INC.  
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(e) Receivables

Commissions are recorded on a trade date basis as securities transactions occur. The commissions receivable are due primarily from various investment companies. Losses from uncollectible receivables shall be accrued when it is probable that a receivable is impaired and the amount of the loss can be reasonably estimated. As of the date of the financial statements, management believes that neither of these conditions exists with regard to receivables and, as such, an allowance for doubtful accounts has not been established.

(f) Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (Codification). Effective July 1, 2009, the Codification is the single source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with plain English explanations of the Corporation's accounting policies. The adoption of the Codification did not have a material impact on the Corporation's financial position or results of operations.

(g) Subsequent Events

The Corporation has evaluated events after December 31, 2009, and through February 10, 2010, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(3) Related Party Transactions

The Corporation has an agreement with an affiliate which requires the Corporation to pay the affiliate approximately 55% of gross income received from all of its pension related business. The agreement also requires the Corporation to reimburse the affiliate for various services, supplies and expenses. Related expenses for the year ended December 31, 2009 amounted to \$665,992.

P&A FINANCIAL SECURITIES, INC.  
Notes to Financial Statements, Continued

(4) Net Capital Requirements

The Company is subject to the SEC Uniform Net Capital Rule (See Rule 15c3-1) which requires the maintenance of minimum net capital and requires the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (generally, Corporation capital less reductions for assets not readily convertible into cash at full value). There are restrictions on a broker-dealer's operations if aggregate indebtedness exceeds 10 times net capital.

At December 31, 2009, the Company's net capital and required net capital (as defined) were \$16,656 and \$5,000, respectively. The ratio of aggregate indebtedness to net capital was approximately 1.12 to 1.

(5) Income Taxes

The Corporation has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported to its owners on their respective income tax returns. The Corporation's federal tax status as a pass-through entity is based on its election to be treated as an S Corporation. Accordingly, the Corporation is not required to take any tax positions in order to qualify as a pass-through entity. The Corporation is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Corporation has no other tax positions which must be considered for disclosure.

(6) Reserve Requirement

Rule 15c3-3 under the Securities Exchange Act of 1934 provides a formula for the maintenance by broker-dealers of reserves in connection with customer related transactions and standards for broker dealers regarding the physical possession or control of fully-paid and excess margin securities. There are allowable exemptions to the Rule provided that certain conditions are met. Due to the nature of the Corporation's business (note 1) these conditions are satisfied and the Corporation claims an exemption under subparagraph (k)(2)(ii) of the Rule.

(7) Reconciliation of Focus Report

Rule 17a-5(d)(4) under the Securities Exchange Act of 1934 requires a reconciliation of the audited computation and the broker-dealer's corresponding unaudited Part IIA. After review of Form X-17A-5 presented by the Corporation, no material differences exist.

P&A FINANCIAL SECURITIES, INC.  
 Computation of Net Capital Under Rule 15c3-1 of  
 the Securities and Exchange Commission  
 December 31, 2009

Net Capital:

Total stockholder's equity from statement of financial condition	\$ 21,439
Deduct non-allowable assets from statement of financial condition.	<u>(4,782)</u>
Net capital before haircuts on securities position	16,657
Deduct haircuts on securities	<u>    (1)</u>
Net Capital	16,656

Computation of basic net capital requirement - net capital requirement (greater of 6 2/3% of aggregate indebtedness \$1,247 or \$5,000)	<u>(5,000)</u>
Excess net capital	\$ <u>11,656</u>

Aggregate indebtedness:

Accounts payable	4,918
Commissions payable	5,135
Accrued expenses	<u>8,648</u>
Total aggregate indebtedness	\$ <u>18,701</u>

Ratio - Aggregate indebtedness to net capital 1.12 to 1

**TOSKI, SCHAEFER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

555 INTERNATIONAL DRIVE

WILLIAMSVILLE, NEW YORK 14221

TELEPHONE (716) 634-0700

FAX (716) 634-0764

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
REQUIRED BY SECURITIES AND EXCHANGE COMMISSION RULE 17a-5**

The Board of Directors  
P&A Financial Securities, Inc.:

In planning and performing our audit of the financial statements of P&A Securities, Inc. (the Corporation) as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation (including tests of compliance with 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 exempt provisions of Rule 15c3-3(e). We did not review the practices and procedures followed by the Corporation in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Corporation does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Corporation 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 Corporation 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 the preparation of financial statements in accordance 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, errors 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 Corporation'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 over financial reporting was for the limited purpose described in the first paragraph 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 Corporation's practices and procedures were adequate at December 31, 2009, 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 New York Stock Exchange, Inc., the National Association of Securities Dealers, Inc. 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.

*Toski, Schaefer & Co. P.C.*

Williamsville, New York  
February 10, 2010

**P&A FINANCIAL SECURITIES, INC.**  
**Financial Statements and Supplemental Schedule**  
**December 31, 2009**  
**(With Independent Auditors' Report and**  
**Supplemental Report on Internal Control)**