

AB
3/20

SEC
Mail Processing
Section

FEB 29 2012

Washington, DC
125

UN
SECURITIES AND
WASHI



12013111

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	April 30, 2013
Estimated average burden hours per response.....	12.00

AB
3/8

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

SEC FILE NUMBER
8- 29452

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 01/01/11 AND ENDING 12/31/11
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Abraham & Co., Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

3724 47th Street Ct. NW

(No. and Street)

Gig Harbor

WA

98335

(City)

(State)

(Zip Code)

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

Kye Abraham

(253) 851-7486

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

HJ & Associates, LLC

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

50 West Broadway, Ste. 600

Salt Lake City

UT

84101

(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.

AB
3/16

OATH OR AFFIRMATION

I, Kye Abraham, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Abraham & Co., Inc. of December 31, 20 11, 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:

NONE



Handwritten signature of Kye Abraham over a line labeled 'Signature'. Below the line is the word 'President' and another line labeled 'Title'.

Handwritten signature of Nanette K. Abraham, Notary Public, dated 2/28/12.

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

- Checkboxes for report contents: (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).

ABRAHAM & CO., INC.
FINANCIAL STATEMENTS
December 31, 2011

CONTENTS

Report of Independent Registered Public Accounting Firm	3
Statement of Financial Condition	4
Statement of Operations	5
Statement of Changes in Stockholder's Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Supplementary Information:	
Schedule I: Computation of Net Capital Under Rule 15c3-3 of the Securities and Exchange Commission	12
Schedule II: Computations for Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission	13
Independent Auditors' Report on Internal Control Structure Required by SEC Rule 17a-5	14

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder's of
Abraham & Co., Inc.
Gig Harbor, Washington

We have audited the accompanying statement of financial condition of Abraham & Co., Inc. as of December 31, 2011, and the related statements of operations, stockholder's equity (deficit), and cash flows for the year then ended. 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits 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 financial statements, 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 Abraham & Co., Inc. as of December 31, 2011, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not required by rule 17a-5 of the Securities and Exchange Commission. 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.

HJ & Associates, LLC

HJ & Associates, LLC
Salt Lake City, Utah
February 24, 2012

ABRAHAM & CO., INC.
Statement of Financial Condition

ASSETS

	<u>December 31,</u> <u>2011</u>
CURRENT ASSETS	
Cash	\$ 290
Cash deposit with clearing organization	10,610
Due from affiliate and related party	31,600
Commissions receivable	162
Marketable securities, at fair value	80
Investment in affiliate company at fair value	<u>47,388</u>
 Total Current Assets	 <u>90,130</u>
 Equipment and software at cost, net of accumulated depreciation of \$7,152	 <u>832</u>
 Total Assets	 <u><u>\$ 90,962</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES

Accounts payable, accrued expenses, and other liabilities	\$ <u>1,961</u>
 Total Current Liabilities	 <u>1,961</u>

STOCKHOLDER'S EQUITY

Common stock, \$1.00 par value, authorized 20,000 shares, issued 12,800 shares	12,800
Additional paid-in capital	213,243
Accumulated deficit	<u>(137,042)</u>
 Total Stockholder's Equity	 <u>89,001</u>
 TOTAL CURRENT LIABILITIES AND STOCKHOLDER'S EQUITY	 <u><u>\$ 90,962</u></u>

The accompanying notes are an integral part of these financial statements.

ABRAHAM & CO., INC.
Statement of Operations

	For the Year Ended December 31, <u>2011</u>
REVENUES	
Commissions	\$ 3,578
Management services	19,934
Administrative fees charged to related parties	18,000
Unrealized gain on marketable securities	<u>17</u>
Total Revenue	<u>41,529</u>
OPERATING EXPENSES	
General and administrative expense	23,335
Employee compensation	28,059
Depreciation	2,592
Unrealized loss on marketable securities on investment in affiliate company	<u>75,820</u>
Total Operating Expenses	<u>129,806</u>
LOSS BEFORE OTHER EXPENSES AND INCOME TAX EXPENSE	<u>(88,277)</u>
OTHER EXPENSE	
Interest expense	<u>155</u>
LOSS BEFORE INCOME TAXES	<u>(88,432)</u>
INCOME TAX	<u>-</u>
NET LOSS	<u>\$ (88,432)</u>
BASIC AND DILUTED LOSS PER SHARE	<u>\$ (6.91)</u>
WEIGHTED AVERAGE SHARES OUTSTANDING	<u>12,800</u>

The accompanying notes are an integral part of these financial statements.

ABRAHAM & CO., INC.
Statement of Changes in Stockholder's Equity
For the Year Ended December 31, 2011

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Deficit</u>
			<u>Capital</u>	
Balance at December 31, 2010	12,800	\$ 12,800	\$ 213,243	\$ (48,610)
Net loss for year ended December 31, 2011	-	-	-	(88,432)
Balance at December 31, 2011	<u>12,800</u>	<u>\$ 12,800</u>	<u>\$ 213,243</u>	<u>\$ (137,042)</u>

The accompanying notes are an integral part of these financial statements.

ABRAHAM & CO., INC.
Statement of Cash Flows

	For the Year Ended December 31, <u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ (88,432)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation expense	2,591
Unrealized loss on investment in affiliate company	75,820
Unrealized loss on marketable securities	(17)
Changes in operating assets and liabilities:	
Decrease in commissions receivable	81
Increase in due from affiliate and related party	(18,100)
Decrease in accounts payable and accrued expenses	<u>(3,635)</u>
Net Cash Used by Operating Activities	<u>(31,692)</u>
 CASH FLOWS USED BY INVESTING ACTIVITIES	
Purchase of equipment	<u>(805)</u>
Net Cash Used by Investing Activities	<u>(805)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
	<u>-</u>
NET DECREASE IN CASH	(32,497)
CASH, BEGINNING OF YEAR	<u>32,787</u>
CASH, END OF YEAR	<u><u>\$ 290</u></u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
CASH PAID FOR:	
Interest	\$ 155
Income taxes	\$ -

The accompanying notes are an integral part of these financial statements.

ABRAHAM & CO., INC.
Notes to Financial Statements
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Abraham & Co., Inc., a Washington corporation, is registered with the Securities and Exchange Commission as a broker/dealer under the Securities Exchange Act of 1934. The Company engages in the general retail securities business. It also provides management and administrative services to a related entity. The Company's source of customers is through its sole employee who is also the Company's sole stockholder. The Company has one office located in Gig Harbor, Washington.

All securities transactions, with the exception of concessions transactions, are cleared through another broker/dealer on a fully disclosed basis. The Company does not receive or hold funds of subscribers or securities of issuers, and does not hold customer funds or securities.

Income and Expense Recognition

The Company records income and expense on the accrual basis. Commission revenue and expense, net of clearing fees, are reflected in these financial statements on a trade date basis.

Securities Transactions

The Company has classified all marketable securities as trading. As such, all securities are carried at fair market value. Gains or losses are determined using a first-in-first-out valuation methodology.

During the year ended December 31, 2011, the Company recorded an unrealized gain of \$17 on its marketable securities and an unrealized loss of \$75,820 on its investment in an affiliate company.

Federal Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax assets are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

ABRAHAM & CO., INC.
Notes to Financial Statements
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Federal Income Taxes (Continued)

The provision (benefit) for income taxes for the years ended December 31, 2011 consists of the following:

Federal:		
Current	\$	-
Deferred		<u>-</u>
State:		
Current		-
Deferred		<u>-</u>
	\$	<u><u>-</u></u>

The net deferred tax asset consists of the following components at December 31, 2011

Deferred tax assets:

NOL carryover	\$	6,161
Depreciation		<u>(136)</u>
Valuation allowance		<u>(6,025)</u>
Net deferred tax asset	\$	<u><u>-</u></u>

The income tax provision differs from the amount of income tax determined by applying the U.S. federal and state income tax rates of 15% to pretax income from continuing operations for the year ended December 31, 2011 due to the following:

Book loss	\$	(34,488)
Unrealized loss on marketable securities		29,563
Depreciation		362
Meals and entertainment		16
Net operating loss		<u>4,547</u>
	\$	<u><u>-</u></u>

Cash and Cash Equivalents

The Company considers money market mutual funds and all highly liquid debt instruments with original maturities of three months or less to be cash equivalents for purposes of the statement of cash flows.

Depreciation

Depreciation is provided on a straight-line basis using estimated useful lives of three years.

ABRAHAM & CO., INC.
Notes to Financial Statements
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivable from Clearing Organization, Net

Amounts receivable from the Company's clearing organization consist of the net amounts receivable for commissions.

Use of 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 the reported amounts of assets and liabilities and disclosures 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.

NOTE 2 - BASIC LOSS PER SHARE

Basic loss per share of common stock was computed by dividing the net loss by the weighted average number of common shares outstanding for the year. Diluted loss per share is not presented because the Company has not issued any potentially dilutive common shares. The weighted average number of common shares outstanding for the year ended December 31, 2011 was 12,800.

NOTE 3 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (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, 2011, the Company had net capital of \$26,799 which was \$21,799 in excess of its required net capital of \$5,000.

NOTE 4 - POSSESSION OR CONTROL REQUIREMENTS

The Company adheres to the exemptive provisions of SEC Rule 15c3-3 (k)(2)(ii) by sending all funds and securities to the correspondent broker/dealer who carries the customer accounts. Therefore, the Company does not hold or have any possession or control of customer funds or securities

NOTE 5 - RELATED PARTY TRANSACTIONS

The sole shareholder of the Company has a 50 percent ownership interest in, and is president of, another corporation. During the year ended December 31, 2011 the Company earned \$18,000 in administrative fees for services provided to this corporation.

NOTE 5 - SUBSEQUENT EVENTS

Management performed an evaluation of Company activity through February 24, 2012, and has concluded that there are no events requiring disclosure through the date that these financial statements were issued.

ABRAHAM & CO., INC.
Schedule I
Computation under Rule 15c3-3 of the
Securities and Exchange Commission
December 31, 2011

COMPUTATION OF NET CAPITAL

Total stockholders' equity	\$ 89,001
Non-allowable assets:	
Fixed assets net of accumulated depreciation	(832)
Due from affiliate	(31,600)
Other deductions pursuant to subparagraph (c)(2)(i) of Rule 15c3-1	<u>(29,770)</u>
Net Capital	<u>\$ 26,799</u>

AGGREGATE INDEBTEDNESS

Items included in statement of financial condition:

Accounts payable, accrued expenses, and other liabilities	<u>\$ 1,961</u>
Aggregate Indebtedness	<u>\$ 1,961</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required (6-2/3% of total aggregate indebtedness)	<u>\$ 131</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 5,000</u>
Net capital requirement (greater of above two minimum requirement amounts)	<u>\$ 5,000</u>
Net capital in excess of required minimum	<u>\$ 21,799</u>
Ratio: Aggregate indebtedness to net capital	<u>0.07 to 1.00</u>

RECONCILIATION WITH COMPANY'S COMPUTATION

Net capital as reported in Company's Part II FOCUS report	\$ 26,801
Adjustments to accounts payable	<u>(2)</u>
Net Capital Per Above	<u>\$ 26,799</u>

ABRAHAM & CO., INC.
Schedule II
Computation under Rule 15c3-3 of the
Securities and Exchange Commission
December 31, 2011

EXEMPTIVE PROVISIONS

The Company has claimed an exemption from rule 15c3-3 under section (k)(2)(ii), in which all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

Company's clearing firm: Southwest Securities, Inc.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL STRUCTURE REQUIRED BY SEC RULE 17A-5**

The Board of Directors
Abraham & Co., Inc.
Gig Harbor, Washington

In planning and performing our audit of the financial statements of Abraham & Co., Inc. (the Company), as of and for the year ended December 31, 2011, 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 Exchange Commission, we have made a study of the practices and procedures followed by the Company 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 (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 the 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 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 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 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.

A deficiency in internal control 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 deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses and therefore, there can be no assurance that all material weaknesses have been identified. However, we identified the following deficiencies that we consider to be material weaknesses, as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures performed in our audit of the financial statements of the Company as of and for the year ended December 31, 2011 and this report does not affect our report thereon dated February 24, 2012.

One of the basic elements of a satisfactory system of internal control is an organization which provides appropriate segregation of duties. Because of the limited size of the Company, it is not possible for this to be achieved.

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 were adequate at December 31, 2011, to meet the SEC's objectives.

The report is intended solely for the use of the Board of Directors, management, the SEC, 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.

HJ & ASSOCIATES, LLC

HJ & Associates, LLC
Salt Lake City, Utah
February 24, 2012