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

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

VF 8-29-03
OMB APPROVAL
OMB Number: 3235-0123
Expires: September 30, 1998
Estimated average burden
hours per response...12.00

SEC FILE NUMBER
~~8-61992~~
8-23436

**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 July 1, 2002 ENDING June 30, 2003

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER
Davey & Unno, Inc.

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

One West 72nd Street, Apt. 53C

New York

(City)

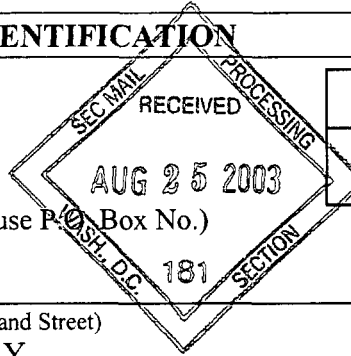
(No. and Street)

N.Y.

(State)

10023

(Zip Code)



OFFICIAL USE ONLY

FIRM ID. NO.

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

John Davey

212 580-9796

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Lilling & Company LLP

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

10 Cutter Mill Road

(Address)

Great Neck

(City)

NY

(State)

11021

(Zip Code)

CHECK ONE

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

**PROCESSED
SEP 10 2003**

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THOMSON
FINANCIAL

* 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 exemption. See section 240.17a-5(e)(2).

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OATH OR AFFIRMATION

I, John Davey swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of

Davey & Unno, Inc., as of

June 30, 2003, 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:

John Davey
Signature
Treasurer
Title

SUBSCRIBED AND SWORN TO BEFORE

THIS AUG 21, 2003

NOTARY PUBLIC Michael J. Klar

Notary Public

MICHAEL J. KLAR
Notary Public, State of New York
No. 44-4625956
Qualified in Rockland County
Certificate filed in New York County
Commission Expires May 31, 2006

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

- (a) Facing Page
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss)
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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.
- (o) A report on internal control.

** For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

DAVEY & UNNO INC.

***REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION***

***REPORT ON INTERNAL CONTROL
JUNE 30, 2003***

Lilling & Company LLP

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Davey & Unno Inc.
New York, New York

We have audited the accompanying statement of financial condition of Davey & Unno Inc. as of June 30, 2003 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 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 auditing standards generally accepted in the 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. 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 Davey & Unno Inc., as of June 30, 2003, 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.

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 1 and 2 is presented for the 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.

Lilling + Company

CERTIFIED PUBLIC ACCOUNTANTS

DAVEY & UNNO INC.

STATEMENT OF FINANCIAL CONDITION
JUNE 30, 2003

ASSETS

Cash and cash equivalents	\$ 18,986
Due from clearing broker	139,001
Commission receivable	15,720
Securities owned	110,376
Other investments	512,312
Prepaid expenses	6,249
Furniture and equipment, net of accumulated depreciation of \$368,227	<u>5,002</u>
	<u>\$ 807,646</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities

Deferred income taxes payable	<u>\$ 10,000</u>
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Stockholders' equity

Common stock, no par value: \$150 stated value, 200 shares authorized, 10 shares issued and outstanding	1,500
Additional paid-in capital	48,989
Retained earnings	<u>747,157</u>
	<u>797,646</u>
	<u>\$ 807,646</u>

DAVEY & UNNO INC.

STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2003

REVENUES

Commissions	\$ 176,835
Interest and dividends	5,359
Investment loss	(16,038)
	<u>166,156</u>

EXPENSES

Employee compensation and benefits	18,013
Occupancy and office	171,866
Communications	11,125
Depreciation	13,343
Operating expenses	29,093
	<u>243,440</u>

LOSS BEFORE TAXES (77,284)

INCOME TAXES-CURRENT 21,478
INCOME TAXES-DEFERRED (3,000)
18,478

NET LOSS \$ (95,762)

DAVEY & UNNO INC.

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2003

Cash flows from operating activities

Net loss	\$ (95,762)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	13,343
Decrease in due from clearing broker	33,276
Increase in commision receivable	(14,597)
Decrease in securities owned	41,522
Decrease in other assets	27,489
Decrease in deferred taxes payable	(3,000)
Total adjustments	<u>98,033</u>

Net cash provided by operating activities 2,271

Cash flows from investing activities

Cash payment for the purchase of furniture and fixtures (4,916)

Net cash used by investing activities (4,916)

NET DECREASE IN CASH AND CASH EQUIVALENTS (2,645)

CASH AND CASH EQUIVALENTS - BEGINNING 21,631

CASH AND CASH EQUIVALENTS - END \$ 18,986

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest expense \$ -

Income tax \$ -

DAVEY & UNNO INC.

**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
YEAR ENDED JUNE 30, 2003**

	<u>Common Stock</u>	<u>Additional Paid in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
<i>Balance - beginning</i>	\$ 1,500	\$ 48,989	\$ 842,919	\$ 893,408
Net loss			(95,762)	(95,762)
<i>Balance - end</i>	<u>\$ 1,500</u>	<u>\$ 48,989</u>	<u>\$ 747,157</u>	<u>\$ 797,646</u>

DAVEY & UNNO INC.

NOTES TO FINANCIAL STATEMENTS ***JUNE 30, 2003***

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Davey & Unno, Inc. (the "Company") is a registered broker-dealer and clears its securities transactions on a fully-disclosed basis with another broker-dealer. There were no liabilities subordinated to the claims of creditors during the year ended June 30, 2003.

Security Transactions

Marketable securities are stated at market value. Securities transactions and commission income are recorded on a trade date basis.

Other Investments

Other investments consist of art work and antiques and are recorded at cost. No depreciation or amortization is recorded.

Furniture and Equipment

Furniture and equipment are recorded at cost. Depreciation is provided on the straight-line and accelerated methods over the estimated useful lives of the assets.

Deferred Income Taxes

Deferred income taxes are provided for differences between financial and tax reporting on the liability method. Income tax returns are recorded on the cash basis and gains and losses are recognized for tax purposes when realized.

Use of Estimates in Preparation of Financial Statements

Management of the Company uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that management uses.

DAVEY & UNNO INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Statement of Cash Flows

Cash equivalents consist of money market fund balances.

Significant Credit Risk

The Company executes, as agent, securities transactions on behalf of its customers. If either the customer or a counterparty fail to perform, the Company may be required to discharge the obligations of the nonperforming party. In such circumstances, the Company may sustain a loss if the market value of the security is different from the contract value of the transaction. The Company as a non-clearing broker does not handle any customer funds or securities. The responsibility for processing customer activity rests with the Company's clearing firm, Bear Stearns Securities Corp.

2. RELATED PARTY TRANSACTIONS

The Company rents its office space in New York on a month-to-month basis from its stockholders at a cost of approximately \$6,000 per month plus additional costs. Total rent expense for the year ended June 30, 2003 was approximately \$75,000.

3. NET CAPITAL REQUIREMENT

The Company is subject to the Securities and Exchange Commission 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 (and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At June 30, 2003, the Company had net capital of \$260,195, which was \$160,195 in excess of its required net capital of \$100,000. The Company had no aggregate indebtedness as of June 30, 2003.

***SUPPLEMENTARY INFORMATION
PURSUANT TO RULE 17a-5 OF THE
SECURITIES EXCHANGE ACT OF 1934***

AS OF JUNE 30, 2003

DAVEY & UNNO INC.

Schedule 1

**COMPUTATION OF NET CAPITAL UNDER RULE 15c-3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
JUNE 30, 2003****NET CAPITAL**

Total stockholder's equity	\$ 797,646
Add: Deferred income tax on haircuts	3,048
	<u>800,694</u>
Deductions	
Non-allowable assets	<u>523,563</u>
Capital before undue concentration and haircuts on securities positions	277,131
Haircuts and undue concentration	<u>16,936</u>
NET CAPITAL	<u><u>\$ 260,195</u></u>
AGGREGATE INDEBTEDNESS	<u><u>\$ -</u></u>
MINIMUM NET CAPITAL REQUIRED	<u><u>\$ 100,000</u></u>
EXCESS OF NET CAPITAL OVER MINIMUM REQUIREMENTS	<u><u>\$ 160,195</u></u>
PERCENTAGE OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	N/A

NOTE:

There were no material differences between the computation of net capital calculated above and the Company's computation included in Part IIA of Form X-17A-5 as of June 30, 2003.

DAVEY & UNNO INC.

Schedule 2

***COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
FOR BROKERS AND DEALERS PURSUANT TO RULE 15C3-3***

JUNE 30, 2003

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(ii) of the Rule.

Lilling & Company LLP

Certified Public Accountants

***INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED
BY SEC RULE 17a-5 FOR A BROKER- DEALER CLAIMING
AN EXEMPTION FROM SEC RULE 15c3-3***

Board of Directors
Davey & Unno Inc.
New York, New York

In planning and performing our audit of the financial statements and supplemental schedules of Davey & Unno Inc. (the Company), for the year ended June 30, 2003, we considered its internal control, including control activities 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 internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), 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
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 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 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 accounting principles generally accepted in the United States.

Because of inherent limitations in internal control or 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.

Our consideration of internal control would not necessarily disclose all matters in internal control 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 components does not reduce to a relatively low level the risk that error or fraud 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 noted the following matter involving the control environment that we consider to be a material weakness as defined above. This condition was considered in determining the nature, timing and extent of the procedures to be performed in our audit of the financial statements of Davey & Unno Inc. for the year ended June 30, 2003, and this report does not affect our report thereon dated August 12, 2003.

The size of the business and resultant limited number of employees imposes practical limitations on the effectiveness of those internal control procedures that depend on the segregation of duties. Since this condition is inherent in the size of the Company, the specific weaknesses are not described herein and no corrective action has been taken or proposed by the Company.

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 June 30, 2003, 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 NASD, 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.



CERTIFIED PUBLIC ACCOUNTANTS

August 12, 2003