

SECURITY



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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III
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 07/01/04 AND ENDING 6/30/05
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

JOHN M. CUNNINGHAM, INC.

OFFICIAL USE ONLY
FIRM ID: NO.

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

760 Woodlea Road

(No. and Street)

Rosemont

(City)

Pennsylvania

(State)

19010

(Zip Code)

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

JOHN Cunningham -PRESIDENT

(610) 527-8300

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Donald P. McGill, CPA

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

53 Darby Road

(Address)

Paoli

(City)

PA

(State)

19301

(Zip Code)

CHECK ONE:

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

PROCESSED

SEP 08 2005

THOMSON
FINANCIAL

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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).

10/11/05
9/8/05

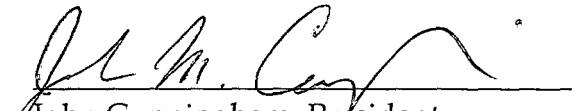
JOHN M. CUNNINGHAM, INC.

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AFFIRMATION

I, John Cunningham, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplemental schedules pertaining to the firm of John M. Cunningham, Inc. (Company) at June 30, 2005 and for the year then ended are true and correct. I further affirm that neither the Company nor any officer or director has any proprietary interest in any account classified as that of a customer.


John Cunningham, President

STATE OF PA
County of DELAWARE

Sworn and subscribed to before me this 29th day of August, 2005.


Susan D. Lerman

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Susan D. Lerman, Notary Public
Radnor Twp., Delaware County
My Commission Expires May 5, 2007
Member, Pennsylvania Association of Notaries

JOHN M. CUNNINGHAM, INC
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

Donald P. McGill
Certified Public Accountant

53 Darby Road
Paoli, PA 19301

Tel (610) 725-9290
Fax (610) 725-9205

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REPORT


To the Board of Directors and Stockholder of
John M. Cunningham, Inc.

We have audited the accompanying balance sheet of John M. Cunningham, Inc., at June 30, 2005, and the related statements of operations, changes in stockholder's equity 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 U.S. generally accepted auditing standards. 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 John M. Cunningham, Inc. at June 30, 2005, and the results of its operations, changes in stockholder's equity and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purposes of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17-a-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.



Paoli, PA
July 22, 2005

JOHN M. CUNNINGHAM, INC.
BALANCE SHEET
JUNE 30, 2005

ASSETS

Cash	\$ 3,516
Receivable from clearing firm	42,965
Receivable from customers	3,477
Marketable securities	<u>23,375</u>
 Total Assets	 <u><u>\$ 73,333</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Accounts payable and accrued expenses	\$ 5,381
Deferred income	11,446
Unearned income	<u>22,747</u>
 Total Liabilities	 <u>39,574</u>
 Contingencies	 -
 Common stock - par value \$10 per share, 20,000 shares authorized, 15,001 shares issued and outstanding	 150,010
Retained deficit	<u>(116,251)</u>
 Total Stockholder's Equity	 <u>33,759</u>
 Total Liabilities and Stockholder's Equity	 <u><u>\$ 73,333</u></u>

See accompanying notes.

JOHN M. CUNNINGHAM, INC
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2005

Fee income	\$ 46,479
Commissions	37,238
Trading gains	<u>3,449</u>
 Total Revenue	 <u>87,166</u>
 Costs and Expenses:	
Salaries	36,000
Payroll taxes	3,861
Employee benefits	5,638
Transportation costs	7,028
Research costs	6,513
Professional fees	4,800
Telephone	1,479
Regulatory fees	1,652
Insurance	12,403
Marketing and promotion	6,262
Office supplies and expenses	6,512
Other operating costs	<u>530</u>
 Total Costs and Expenses	 <u>92,678</u>
 Operating income	 (5,512)
 Interest and dividend income	 <u>979</u>
 Net income (loss)	 <u>\$ (4,533)</u>

See accompanying notes.

JOHN M. CUNNINGHAM, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

Cash Flows From Operating Activities:	
Net income (loss)	\$ (4,533)
Adjustment to reconcile net income to net cash (used) by operating activities:	
Decrease in receivable from clearing firm	2,184
Decrease in receivable from customers	14,704
Decrease in marketable securities	3,118
(Decrease) in accounts payable and accrued expenses	(9,222)
(Decrease) in deferred income	(6,933)
(Decrease) in unearned income	<u>(6,752)</u>
Net Cash (Used) By Operating Activities	<u>(7,434)</u>
Cash Flows From Investing Activities:	-
Cash Flows from Financing Activities:	-
Net (Decrease) In Cash	(7,434)
Cash and equivalents, beginning of year	<u>10,950</u>
Cash and equivalents, end of year	<u><u>\$ 3,516</u></u>

See accompanying notes.

JOHN M. CUNNINGHAM, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings (Deficit)</u>
Balance, July 1, 2004	\$ 150,010	\$ -	\$ (111,718)
Capital contributions	-	-	-
Net income (loss)	<u>-</u>	<u>-</u>	<u>(4,533)</u>
Balance, June 30, 2005	<u>\$ 150,010</u>	<u>\$ -</u>	<u>\$ (116,251)</u>

See accompanying notes.

JOHN M. CUNNINGHAM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

1. ORGANIZATION AND NATURE OF OPERATIONS

John M. Cunningham, Inc. (the "Company"), was incorporated in the Commonwealth of Pennsylvania on July 1, 1975, is registered as a broker-dealer under the Securities Exchange Act of 1934, and is a member of the National Association of Securities Dealers, Inc. (NASD) and the Securities Investor Protection Corp. (SIPC). The Company was granted membership in the NASD to conduct a general securities operation.

The Company's business includes clearing its transactions on a fully disclosed basis through its clearing broker. The Company acts as a broker-dealer and is exempt from Securities and Exchange Commission Rule 15c3-3 under paragraph k (2) (ii) and is not responsible for compliance with Section 4(c) of Regulations T of the Board of Governors of the Federal Reserve System, as all customers' accounts, as defined by such rules, are carried by the clearing firm.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Basis of Presentation

The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services, including principal transactions and agency transactions.

The Company uses the accrual method of accounting for both financial and tax reporting purposes. The Company's year-end is June 30.

Revenues

Trading gains – The Company trades securities for its own account recording regular-way trades on the settlement date, which is not materially different than trade date.

Commissions – Commissions are recorded on settlement date, which is not materially different than trade date.

Fee Income – Fees are recorded on the renewal date of each contract. They are initially recorded as unearned and recorded as income as earned.

JOHN M. CUNNINGHAM, INC
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION
JUNE 30, 2005

NET CAPITAL:		
Total stockholder's equity		\$ 33,759
Deductions and/or charges:		
Non-allowable assets:		
-	-	
Net capital before haircuts on securities positions		33,759
Haircuts on securities positions		<u>(4,506)</u>
Net Capital		<u><u>\$ 29,253</u></u>
AGGREGATE INDEBTEDNESS:		
Items included in the statement of financial condition:		
Accounts payable and accrued expenses	5,381	
Deferred revenue	11,446	
Unearned income	<u>22,747</u>	<u>\$ 39,574</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:		
Minimum net capital required		<u><u>\$ 5,000</u></u>
Excess net capital at 1000%		<u><u>\$ 25,296</u></u>

The above computation does not differ materially from the June 30, 2005 computation of net capital filed electronically by the Company on FOCUS Form X-17A-5 Part IIA.

Donald P. McGill
Certified Public Accountant

53 Darby Road
Paoli, PA 19301

Tel (610) 725-9290
Fax (610) 725-9205

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL
ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5**

To the Board of Directors of
John M. Cunningham, Inc.

In planning and performing our audit of the financial statements and supplementary information of John M. Cunningham, Inc. (the "Company") for the year ended June 30, 2005, 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 Exchange Commission (the "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-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making 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 Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

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 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 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 noted 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 June 30, 2005 to meet the Commission's objectives.

Our opinion recognizes that it is not practicable in a company the size of John M. Cunningham, Inc. to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control, and alternatively, greater reliance must be placed on surveillance by management.

This report is intended solely for the use of the Board of Directors, management, the Securities and Exchange Commission, 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 should not be used for any other purpose.

A handwritten signature in cursive script, appearing to read "Donald McGill".

Paoli, PA
July 22, 2005