

19  
3/21



SECUR SION

06004443

AB 3/11/06

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: January 31, 2007  
Estimated average burden  
hours per response.....12.00

RECD S.E.C.  
FEB 24 2006  
503

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

SEC FILE NUMBER  
8- 9877

**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 01/01/2005 AND ENDING 12/31/2005  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Allen & Company of Florida, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

1401 South Florida Avenue

(No. and Street)

Lakeland,

Florida

33803

(City)

(State)

(Zip Code)

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

Ralph C. Allen

863-688-9000

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Carter, Belcourt & Atkinson, P.A.

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

331 South Florida Avenue,

Lakeland

Florida

33801

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

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

**PROCESSED**

**APR 14 2006**

**THOMSON  
FINANCIAL**

**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)

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.

4/13/06

OATH OR AFFIRMATION

I, Ralph C. Allen, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Allen & Company of Florida, Inc., as of December 31, 2005, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Rah  
Signature

President  
Title

Kristen L. Benton  
Notary Public



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

- (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).

***Financial Statements  
and Supplementary Information***



**ALLEN & COMPANY OF FLORIDA, INC.**

**Year Ended December 31, 2005**

ALLEN & COMPANY OF FLORIDA, INC.

---

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Condition	2
Statement of Income	3
Statement of Stockholder's Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9
Supplementary Information:	
Independent Auditors' Report on Supplementary Information Required by Rule 17a-5 of the Securities and Exchange Commission	10
Schedule I - Computation of Net Capital Pursuant to Rule 15c3-1	11
Schedule II - Computation for Determination of Reserve Requirements for Broker-Dealers Pursuant to Rule 15c3-3	12
Schedule III - Information Relating to the Possession or Control Requirements Under Rule 15c3-3	13
Supplemental Audit Report:	
Independent Auditors' Report on Internal Accounting Control	14-15

**INDEPENDENT AUDITORS' REPORT**

To the Stockholder of  
Allen & Company of Florida, Inc.

We have audited the accompanying statement of financial condition of Allen & Company of Florida, Inc. as of December 31, 2005, and the related statements of income, 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 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 Allen & Company of Florida, Inc. at December 31, 2005, 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.

*Carter, Belcourt + Atkinson, P.A.*

Lakeland, Florida  
January 30, 2006

**ALLEN & COMPANY OF FLORIDA, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2005**

**ASSETS**

Cash (Note 2)	\$ 641,615
Receivables:	
Clearing organization	341,099
Commissions receivable	79,212
Employees	983
Receivable from Allen & Company Mortgage Corporation	1,382
Other	16,136
Securities owned (Note 3):	
Marketable, at market value	559,089
Property and equipment, less accumulated depreciation (Note 4)	422,060
Cash surrender value of life insurance (\$554,036 face value), net of policy loans of \$3,864	279,489
Prepaid expenses and other assets	66,954
	\$ 2,408,019

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**LIABILITIES:**

Accounts payable and accrued expenses	\$ 237,278
Commissions payable	206,584
Deferred compensation (Note 6)	298,169

**TOTAL LIABILITIES** 742,031

**COMMITMENTS AND CONTINGENCIES**

(Notes 5, 7 and 9)

**STOCKHOLDER'S EQUITY:**

Class A common stock, \$.10 par, shares authorized, 1,500,000; issued and outstanding, 662,714	66,271
Class B common stock, \$.10 par, shares authorized, 500,000; issued and outstanding, 171,792	17,179
Additional paid-in capital	642,664
Retained earnings	939,874

**TOTAL STOCKHOLDER'S EQUITY** 1,665,988

\$ 2,408,019

See accompanying notes to financial statements.

**ALLEN & COMPANY OF FLORIDA, INC.**

**STATEMENT OF INCOME**

**YEAR ENDED DECEMBER 31, 2005**

---

---

**REVENUES:**

Commissions	\$ 7,221,005
Interest and dividends	99,987
Realized and unrealized gains on securities, net	2,839
Other	60,297

---

Total revenues 7,384,128

**EXPENSES:**

Employee compensation and benefits (Note 6)	5,270,973
Clearance and exchange fees	361,354
Communications and data processing	52,059
Occupancy (Notes 7 and 9)	256,121
Loss on disposals of property and equipment	86,276
Other	973,020

---

Total expenses 6,999,803

---

**NET INCOME** \$ 384,325

---

---

See accompanying notes to financial statements.

**ALLEN & COMPANY OF FLORIDA, INC.**  
**STATEMENT OF STOCKHOLDER'S EQUITY**  
**YEAR ENDED DECEMBER 31, 2005**

	Common stock		Additional paid-in capital	Retained earnings	Total
	Class A	Class B			
<b>BALANCE,</b>					
<b>December 31, 2004</b>	\$ 66,271	\$ 17,179	\$ 642,664	\$ 805,549	\$ 1,531,663
Dividend distribution	-	-	-	(250,000)	(250,000)
Net income	-	-	-	384,325	384,325
<b>BALANCE,</b>					
<b>December 31, 2005</b>	<u>\$ 66,271</u>	<u>\$ 17,179</u>	<u>\$ 642,664</u>	<u>\$ 939,874</u>	<u>\$ 1,665,988</u>

See accompanying notes to financial statements.

**ALLEN & COMPANY OF FLORIDA, INC.**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2005**

---

---

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net income	\$ 384,325
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	76,031
Loss on disposal of property and equipment	86,276
Decrease (increase) in:	
Receivables	91,863
Securities owned, net	(35,447)
Cash surrender value of life insurance	(9,885)
Prepaid expenses and other assets	12,433
Increase (decrease) in:	
Accounts payable and accrued expenses	(111,595)
Commissions payable	(75,420)
Payable to clearing organization	(51,963)
Deferred compensation	58,290
Net cash provided by operating activities	424,908

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Proceeds from the sale of equipment	2,600
Purchases of equipment	<u>(102,339)</u>
Net cash used in investing activities	(99,739)

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Dividend distribution	<u>(250,000)</u>
-----------------------	------------------

**NET INCREASE IN CASH** 75,169

**CASH, beginning of year** 566,446

**CASH, end of year** \$ 641,615

See accompanying notes to financial statements.

**ALLEN & COMPANY OF FLORIDA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

---

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BUSINESS ACTIVITY** - Allen & Company of Florida, Inc. (the Company) is a fully disclosed broker-dealer, acting for First Clearing Corporation, registered with the Securities and Exchange Commission (SEC) and the National Association of Securities Dealers (NASD). The Company is a wholly-owned subsidiary of Allen & Company Financial Corporation.

**MANAGEMENT ESTIMATES** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**SECURITIES TRANSACTIONS** - Securities transactions and related commission revenues and expenses are recognized on the settlement date. The effect on the financial statements of recognition on the settlement date rather than the trade date is not significant.

**RECEIVABLES** - The Company grants credit to its clearing organization and other companies in the financial services industry that it does business with. The Company also routinely grants credit to its officers, employees and affiliated companies. An allowance for uncollectible accounts is estimated and recorded based on management's judgment. At December 31, 2005 all receivables are considered collectible and no allowance is required.

**PROPERTY AND EQUIPMENT** - Property and equipment are stated at cost. Depreciation is computed using either the straight-line or accelerated methods over the estimated useful lives of the assets.

**ADVERTISING** - Advertising costs are expensed as incurred. Total advertising expense was \$70,986 for the year ended December 31, 2005.

**INCOME TAXES** - The Company's income is included in the tax return of Allen & Company Financial Corporation. Allen & Company Financial Corporation has elected to be taxed as an S corporation, therefore, there is no tax liability to the Company.

**ALLEN & COMPANY OF FLORIDA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

---

---

**NOTE 2 - CONCENTRATION OF CREDIT RISK**

The Company maintains cash deposits in excess of the \$100,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). The Company also maintains cash deposits at their clearing organization, which is not insured by FDIC. Statement of Financial Accounting Standards No. 105 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. Management believes the risk is managed by maintaining all deposits in high quality financial institutions.

**NOTE 3 - SECURITIES OWNED**

Marketable securities owned consist of trading and investment securities at market values, as follows:

Mutual funds	<u>\$ 559,089</u>
--------------	-------------------

**NOTE 4 - PROPERTY AND EQUIPMENT**

Major classes of property and equipment consist of:

Furniture and equipment	\$ 524,964
Leasehold improvements	419,816
Computer equipment	<u>131,033</u>
	1,075,813
Less accumulated depreciation	<u>653,753</u>
Net property and equipment	<u>\$ 422,060</u>

**NOTE 5 - COMMITMENTS AND CONTINGENCIES**

The Company is a guarantor on a \$500,000 line of credit obtained by a company under common ownership.

ALLEN & COMPANY OF FLORIDA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

---

**NOTE 6 - EMPLOYEE BENEFITS**

The Company sponsors a 401(k) savings plan covering all eligible employees. Employees may contribute up to 100 percent of their eligible compensation to the plan, subject to the limits of Section 401(k) of the Internal Revenue Code. The Company's matching contributions to the plan are equal to the lesser of 2.5 percent of the employee's salary or one-half of the employee's deferral up to a maximum of \$4,000 per year. The Company's contribution to the plan was \$68,959 for the year ended December 31, 2005.

The Company has a non-qualified deferred compensation agreement with an employee that provides for specified future payments beginning in 2009. The Company has recognized a liability of \$298,169 at December 31, 2005, representing the present value of the amount of future payments earned to date under the agreement discounted at 6 percent.

**NOTE 7 - LEASES**

The Company leases its Lakeland (Note 9) and Winter Haven, Florida offices, a vehicle, and various other office equipment under noncancellable operating leases.

Future minimum rental payments required under operating leases that have initial or remaining noncancellable terms in excess of one year are as follows:

Year ending December 31,	
2006	\$ 243,004
2007	226,973
2008	214,081
2009	212,472
2010	212,101
Thereafter	<u>461,509</u>
	<u>\$ 1,570,140</u>

Total rent expense recognized in the accompanying statement of income for the year ended December 31, 2005 was \$265,129.

**ALLEN & COMPANY OF FLORIDA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(Concluded)**

---

---

**NOTE 8 - NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC 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, 2005, the Company had net capital of \$1,079,388. The required minimum net capital was \$250,000. The Company's net capital ratio was .69 to 1 at December 31, 2005.

**NOTE 9 - RELATED PARTY TRANSACTIONS**

The Company leases its Lakeland office from a company controlled by an officer of the Company. The lease is currently payable \$13,316 monthly, contains annual escalation provisions and expires in 2012 with a five year extension option. Rent expense related to the Lakeland office included in the accompanying statement of income was \$159,792 for the year ending December 31, 2005.

One of the shareholders of the Company is a partner in a real estate investment trust. The Company pays legal fees on behalf of the real estate investment trust and is reimbursed for the expenses. Total legal expenses paid and reimbursed during 2005 was \$42,112. No receivable existed at December 31, 2005.

**SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION REQUIRED BY  
RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION**

To the Stockholder of  
Allen & Company of Florida, Inc.

We have audited the accompanying financial statements of Allen & Company of Florida, Inc. as of and for the year ended December 31, 2005, and have issued our report thereon dated January 30, 2006. 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, II and III 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 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.

*Carter, Belcourt + Atkinson, P.A.*

Lakeland, Florida  
January 30, 2006

ALLEN & COMPANY OF FLORIDA, INC.

SCHEDULE I  
COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1

DECEMBER 31, 2005

---

---

Total ownership equity qualified for net capital	\$ 1,665,988
Deduct:	
Non-allowable assets	<u>507,515</u>
Net capital before haircuts on securities positions	1,158,473
Deduct:	
Investment securities haircuts:	
Debt securities	14,000
Other securities	<u>65,085</u>
	<u>79,085</u>
Net capital	<u>\$ 1,079,388</u>
Aggregate indebtedness	<u>\$ 742,031</u>
Ratio of aggregate indebtedness to net capital	<u>69%</u>

The following is the difference between audited computations of net capital pursuant to Rule 15c3-1 and the unaudited computations submitted by Allen & Company of Florida, Inc.

Net capital per unaudited focus	\$ 1,192,176
Various audit adjustments	(167,165)
Changes in non-allowable assets resulting from audit adjustments	<u>54,377</u>
Net capital per audited focus	<u>\$ 1,079,388</u>

**ALLEN & COMPANY OF FLORIDA, INC.**

**SCHEDULE II  
COMPUTATION FOR DETERMINATION OF RESERVE  
REQUIREMENTS FOR BROKER-DEALERS PURSUANT TO RULE 15c3-3**

**DECEMBER 31, 2005**

---

Allen & Company of Florida, Inc. is not required to maintain a reserve bank account under paragraph (k)(2)(B) of Rule 15c3-3.

**ALLEN & COMPANY OF FLORIDA, INC.**

**SCHEDULE III  
INFORMATION RELATING TO THE POSSESSION  
OR CONTROL REQUIREMENTS UNDER RULE 15c3-3**

**DECEMBER 31, 2005**

---

Allen & Company of Florida, Inc. is not required to comply with the possession or control requirements under Rule 15c3-3.

**SUPPLEMENTAL AUDIT REPORT**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL**

To the Stockholder of  
Allen & Company of Florida, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Allen & Company of Florida, Inc. (the Company), for the year ended December 31, 2005, 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 and 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 conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

To the Stockholder of  
Allen & Company of Florida, Inc.

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 no matters involving internal control, including 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 Company's practices and procedures were adequate at December 31, 2005 to meet the SEC's objectives.

This report is intended solely for the information and 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.

*Carter, Belcourt + Atkinson, P.A.*

Lakeland, Florida  
January 30, 2006