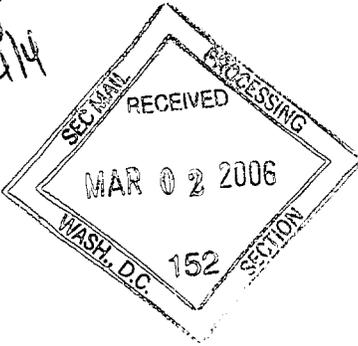


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hours per response...12.00

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

AB 3/29/06

SEC FILE NUMBER  
8-24512

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 1/01/05 AND ENDING 12/31/05  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:  
Young, Stovall and Company

OFFICIAL USE ONLY  
FIRM ID. NO.

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

9627 South Dixie Highway

(No. and Street)

Miami

(City)

Florida

(State)

33156

(Zip Code)

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

Roark A. Young

(305) 666-2511

(Area Code-Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

PROCESSED

Hacker, Johnson & Smith PA

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

JUN 13 2006 E

500 West Cypress Creek Road, Suite 450, Fort Lauderdale, Florida

(Address)

(City)

(State)

THOMSON  
FINANCIAL

33309

(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 (3-91)

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.

Handwritten initials

Securities and Exchange Commission  
Washington, D.C. 20549:

I, the undersigned officer of Young, Stovall and Company, affirm that, to the best of my knowledge and belief the accompanying financial statements and accompanying schedule pertaining to the firm of Young, Stovall and Company as of December 31, 2005, are true and correct. I further affirm that neither the Company, nor any officer or director has any proprietary interest in any account classified solely as that of a customer.



Young, Stovall and Company

Roark A. Young, President

Sworn to and subscribed before me this  
22 day of February, 2006.

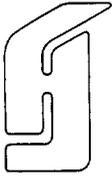
  
(Signature of Notary Public)

Personally known: X

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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income.
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity.
- (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 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) And Oath or Affirmation.
- (m) A copy of SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to have existed since the date of the previous audit.

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



## Independent Auditors' Report

Young, Stovall and Company  
Miami, Florida:

We have audited the accompanying statement of financial condition of Young, Stovall and Company (the "Company") at December 31, 2005, and the related statement of income, changes in stockholders' 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 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 the Company 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Schedule 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 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.

HACKER, JOHNSON & SMITH PA  
Fort Lauderdale, Florida  
February 9, 2006

## Statement of Financial Condition

December 31, 2005

**Assets**

Cash	\$ 59,830
Receivable from clearing organization	658,206
Securities owned	100,140
Premises and equipment	55,930
Other assets and prepaid expenses	<u>47,952</u>
Total	<u>\$ 922,058</u>

**Liabilities and Stockholders' Equity**

## Liabilities:

Commissions payable	102,970
Accrued expenses and other liabilities	<u>67,130</u>
Total liabilities	<u>170,100</u>

Commitments and contingencies (Notes 4, 8 and 9)

## Stockholders' equity:

Common stock, \$1.00 par value (authorized 1,000 shares; 625 issued and outstanding)	625
Additional paid-in capital	74,375
Retained earnings	<u>676,958</u>
Total stockholders' equity	<u>751,958</u>
Total	<u>\$ 922,058</u>

See accompanying Notes to Financial Statements.

## Statement of Income

Year Ended December 31, 2005

Revenues:		
Commissions		\$ 3,176,498
Participation in interest earned on customer accounts		259,728
Interest		58,467
Other		<u>56,511</u>
Total revenues		<u>3,551,204</u>
Expenses:		
Commissions		1,013,936
Compensation and employee benefits		804,790
Clearing fees and floor brokerage		174,162
Rent		185,662
Dues and subscriptions		159,982
Service contracts		157,291
Insurance		125,365
Depreciation and amortization		11,454
Other		<u>272,713</u>
Total expenses		<u>2,905,355</u>
Net income		\$ <u>645,849</u>

See accompanying Notes to Financial Statements.

Statement of Changes in Stockholders' Equity

Year Ended December 31, 2005

	Common <u>Stock</u>	Additional Paid-In <u>Capital</u>	Retained <u>Earnings</u>	Total Stockholders' <u>Equity</u>
Balance at December 31, 2004	\$ 625	74,375	640,602	715,602
Net income	-	-	645,849	645,849
Dividends paid	-	-	(609,493)	(609,493)
Balance at December 31, 2005	\$ <u>625</u>	<u>74,375</u>	<u>676,958</u>	<u>751,958</u>

See accompanying Notes to Financial Statements.

## Statement of Cash Flows

Year Ended December 31, 2005

Cash flows from operating activities:	
Net income	\$ 645,849
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	11,454
Increase in receivable from clearing organization	(340,905)
Decrease in securities owned	405,744
Decrease in other assets and prepaid expenses	19,835
Decrease in payable to clearing broker	(34,480)
Increase in commissions payable	27,376
Decrease in accrued expenses and other liabilities	(101,434)
Net cash provided by operating activities	<u>633,439</u>
Cash flows from investing activity-	
Purchases of premises and equipment	<u>(6,316)</u>
Cash flows from financing activity-	
Dividends paid	<u>(609,493)</u>
Net increase in cash	17,630
Cash at beginning of year	<u>42,200</u>
Cash at end of year	\$ <u><u>59,830</u></u>

See accompanying Notes to Financial Statements.

## Notes to Financial Statements

December 31, 2005 and the Year Then Ended

**(1) Summary of Significant Accounting Policies**

Young, Stovall and Company (the "Company") is a securities broker/dealer headquartered in Miami, Florida with branch offices in Aventura, Florida and Memphis, Tennessee. The following items comprise the significant accounting policies which the Company follows in preparing and presenting its financial statements:

*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 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.

*Securities and Security Transactions.* The Company clears its proprietary and customer transactions through another broker-dealer on a fully disclosed basis. Income and expenses related to security transactions are recorded on a trade date basis. Securities owned are carried at market value. Unrealized gains and losses on securities owned are reflected currently in securities trading income.

*Depreciation and Amortization.* Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease.

*Income Taxes.* The Company has elected to be treated as an S-Corporation. For federal and state income tax purposes all items of income and expense flow through to its stockholders, therefore no provision for income taxes has been reflected in these financial statements.

**(2) Receivable from Clearing Organization**

The receivable from Clearing Organization consists of cash on deposit with the Company's clearing broker.

(continued)

Notes to Financial Statements, Continued

**(3) Securities Owned**

Securities owned consist of trading and investment securities as follows:

U.S. Government Agency notes, at quoted market value	\$ 58,250
Corporate equities - readily marketable, at quoted market value	17,590
Corporate equities - not readily marketable, at cost	<u>24,300</u>
	<u>\$ 100,140</u>

**(4) Premises and Equipment**

A summary of premises and equipment at December 31, 2005 is as follows:

Furniture and equipment	\$ 148,216
Leasehold improvements	58,205
Computers	<u>40,059</u>
Total, at cost	246,480
Less accumulated depreciation and amortization	<u>190,550</u>
Premises and equipment, net	<u>\$ 55,930</u>

The Company leases its office facilities under various operating leases. The Company's Memphis and Aventura offices are leased on a month-to-month basis. The Company's Miami and Aventura Florida offices are leased from a related party. Rent expense was \$185,662 during the year ended December 31, 2005 and included \$168,000 paid to related parties. The Miami lease expires in 2006, and is expected to be renewed. At December 31, 2005, approximate future minimum annual rental payments under noncancelable leases are approximately \$28,000 for the year ending December 31, 2006.

**(5) Payable to Clearing Broker**

The Company has a margin account with a clearing broker. The clearing broker funds the securities purchased by the Company. At December 31, 2005, the balance outstanding was \$0. This account is collateralized by securities with a carrying value of \$100,140 and pays interest at a floating rate.

**(6) Employee Benefit Plan**

The Company offers a 401(k) Profit Sharing Plan to employees who have completed one year of service and have attained age twenty-one. The Company charged \$22,626 to operations relating to plan contributions for the year ended December 31, 2005.

(continued)

## Notes to Financial Statements, Continued

**(7) Net Capital Requirements**

Pursuant to the rules of the Securities Exchange Act of 1934, the Company is required to maintain net capital. Aggregate indebtedness must not exceed net capital as those terms are defined by a ratio of more than 15 to 1. At December 31, 2005, the Company's minimum net capital requirement was \$250,000. The Company's net capital computed in accordance with the Rule of the Commission amounted to \$619,491 and the ratio of aggregate indebtedness to net capital was .27 to 1.

**(8) Commitments and Contingencies**

In the ordinary course of business, the Company has various outstanding commitments and contingent liabilities that are not reflected in the accompanying financial statements.

**(9) Financial Instruments with Off-Balance-Sheet Risk**

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

## YOUNG, STOVALL AND COMPANY

Computation of Net Capital Under Rule 15c3-1 of the  
Securities and Exchange Commission

December 31, 2005

## NET CAPITAL

Total stockholder's equity		\$ 751,958
Liabilities subordinated to claims of general creditors allowable in computation of net capital		<u>-</u>
Total ownership equity qualified for net capital		751,958
Deductions and/or changes:		
Premises and equipment	\$ 55,930	
Securities - not readily marketable	24,300	
Other assets and prepaid expenses	<u>47,952</u>	<u>128,182</u>
Net capital before haircuts on securities positions		623,776
Haircuts on securities (computed, where applicable, pursuant to rule 15c3-1)		
Trading and investment securities:		
Debt securities	1,646	
Other securities	<u>2,639</u>	
Undue concentration	<u>-</u>	<u>4,285</u>
Net capital		\$ <u>619,491</u>

## COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required (based on aggregate indebtedness)	\$ <u>11,340</u>
Minimum net capital required of reporting broker or dealer	\$ <u>250,000</u>
Net capital requirement (greater of above)	\$ <u>250,000</u>
Excess net capital	\$ <u>369,491</u>

## AGGREGATE INDEBTEDNESS

Items included in statement of financial condition -	
Commissions payable, accrued expenses and other liabilities	<u>170,100</u>
Total A.I. Liabilities from Statement of Financial Condition	\$ <u>170,100</u>
Ratio aggregate indebtedness to net capital	<u>.27 to 1</u>

RECONCILIATION OF SUPPORTING SCHEDULES  
WITH MOST RECENT PART II FILING

There are no material differences between the computation of net capital pursuant to Rule 15c3-1. Included in Form X-17A-5 Part II as previously filed with the commission and the schedules contained herein.



**Independent Auditors' Report on Internal Accounting  
Control Required by SEC Rule 17a-5 for a Broker-  
Dealer Claiming on Exemption from Rule 15c 3-3**

February 9, 2006

Young, Stovall and Company  
Miami, Florida

Gentlemen:

In planning and performing our audit of the financial statements and supplemental schedule of Young, Stovall and Company (the "Company") for the year ended December 31, 2005, we considered its internal control, 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.

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 and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c 3-3. 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 a system of internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of the internal control 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 SEC's above-mentioned objectives. Two of the objectives of the system 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 of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any system of internal control 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 would not necessarily disclose all matters in the 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 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, 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 SEC to be adequate for its purpose 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 use of the Board of Directors, management, the SEC and other regulatory agencies which 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.

Very truly yours,

A handwritten signature in black ink, appearing to read "Adam Johnson Smith PA". The signature is written in a cursive style with a large initial "A" and "S".