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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 04/1/05 (MM/DD/YY) AND ENDING 3/31/06 (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
EDI Financial, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

12221 Merit Drive Suite 1020
(No. and Street)

Dallas (City) Texas (State) 75251 (Zip Code)

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

Martin Prinz (214) 528-4090
(Area Code – Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Helin, Donovan, Trubee & Wilkinson, LLP
(Name – *if individual, state last, first, middle name)*

5918 West Courtyard Drive, Ste 400 (Address) **Austin** (City) **Texas** (State) **78730** (Zip Code)

PROCESSED
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THOMSON FINANCIAL

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.

OATH OR AFFIRMATION

I, Martin Prinz, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **EDI Financial, Inc.**, as of March 31, 20 06, 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 soley as that of a customer, except as follows:

NONE

JANE B. KRAMER
Notary Public, State of Texas
My Commission Expires
May 06, 2010

Signature

President
Title

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 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) Independent auditor's report on the internal control as required by SEC rule 17a-5.

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

EDI FINANCIAL, INC.
Index to Financial Statements and Supplementary Schedule
March 31, 2006

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HDT&W

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
EDI Financial, Inc.:

We have audited the accompanying statement of financial condition of EDI Financial, Inc. as of March 31, 2006, and the related statements of operations, changes in stockholders' 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 EDI Financial, Inc. as of March 31, 2006, 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 Schedule I 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.

Helin, Donovan, Trubee & Wilkinson, LLP

Helin, Donovan, Trubee + Wilkinson, LLP

Austin, Texas
May 3, 2006

Helin, Donovan, Trubee & Wilkinson, LLP
5918 West Courtyard Drive Suite 400 Austin, TX 78730
512.258.9670 **phone** 512.258.5895 **fax** 866.331.5336 **toll free**
www.helindonovan.com

Russell Bedford

EDI FINANCIAL, INC.
Statement of Financial Condition
Year Ended March 31, 2006

ASSETS		
Cash	$	191,681
Receivable from clearing broker-dealers		385,158
Receivables from related parties		9,504
Clearing deposits		260,030
Securities owned, at market value		50,359
Property and equipment, net		15,023
Other assets		5,135
TOTAL ASSETS	$	916,890
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accrued commissions payable	$	283,946
Payable to clearing broker-dealers		72,324
Deferred tax liabilities		2,225
Accrued expenses and other liabilities		35,270
Income taxes payable		14,311
Securities sold, not yet purchased, at market value		179,000
Total liabilities		587,076
Stockholders' Equity		
Common stock, voting, 30,000 shares authorized, $1 par value, 30,000 shares issued and outstanding		30,000
Common stock, non-voting, 10,000 shares authorized, $1 par value, 1,205 shares issued and outstanding		1,205
Additional paid-in capital		364,969
Retained deficit		(66,360)
Total stockholders' equity		329,814
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	916,890

See notes to financial statements and independent auditors' report.

EDI FINANCIAL, INC.
Statement of Operations
Year Ended March 31, 2006

REVENUES	
Securities commissions	$ 2,583,145
Insurance commissions	705,372
Underwriting commissions	27,773
Trading profit	696,809
Interest and other income	118,736
Total Revenues	4,131,835
EXPENSES	
Commissions	2,868,457
Compensation and benefits	170,254
Clearing charges	339,395
Communications	115,789
Occupancy costs	87,638
Regulatory fees	54,712
Professional fees	337,246
Interest	5,563
Depreciation	3,267
Other expenses	85,658
Total Expenses	4,067,979
INCOME BEFORE INCOME TAX EXPENSE	63,856
Income tax expense	(26,777)
NET INCOME	$ 37,079

See notes to financial statements and independent auditors' report.

EDI FINANCIAL, INC.
Statement of Changes in Stockholders' Equity
Year Ended March 31, 2006

	Common Stock Voting		Common Stock Non-Voting		Common Stock Subscribed	Additional Paid-In	Retained	
	Shares	Amount	Shares	Amount	Amount	Capital	Deficit	Total
Balances at March 31, 2005	16,000	$16,000	1,205	$ 1,205	55,000	$323,969	$(103,439)	$292,735
Issuance of common stock subscribed	14,000	14,000	-	-	(55,000)	41,000	-	-
Net income	-	-	-	-	-	-	37,079	37,079
Balances at March 31, 2006	30,000	$30,000	1,205	$ 1,205	-	$364,969	$ (66,360)	$329,814

See notes to financial statements and independent auditors' report.

EDI FINANCIAL, INC.
Statement of Cash Flows
Year Ended March 31, 2006

Cash flows from operating activities:		
Net income	$	37,079
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense		3,267
Change in assets and liabilities		
Receivable from broker-dealers		(232,109)
Receivables from related parties		4,174
Clearing deposits		(17)
Securities owned		31,019
Income taxes receivable		13,290
Deferred tax liabilites		(4,542)
Accrued commission payable		143,596
Payable to clearing broker-dealers		(57,124)
Accrued expenses and other liabilities		4,768
Income taxes payable		14,311
Securities sold, not yet purchased		159,381
Net cash provided by operating activities		117,093
Cash flows from investing activities:		-
Cash flows from financing activities:		-
Net decrease in cash		117,093
Cash at beginning of year		74,588
CASH AT END OF YEAR	$	191,681
Supplemental Disclosures of Cash Flow Information:		
Income taxes paid	$	3,241
Interest paid	$	5,563

Supplemental Disclosures of Non-Cash Investing and Financing Activity:
During the year ended March 31, 2006, the Company issued 14,000 shares that had been subscribed and paid for in a prior period.

See notes to financial statements and independent auditors' report.

Note 1 - Nature of Business

EDI Financial, Inc. (Company) is registered as a broker/dealer with the Securities and Exchange Commission (SEC) and is a member of the National Association of Security Dealers, Inc. (NASD). The Company operates under the provisions of Paragraph K(2)(ii) of Rule 15c3-3 of the SEC, and accordingly is exempt from the remaining provisions of that Rule. The Company's customers consist primarily of individuals located throughout the United States of America.

Note 2 - Significant Accounting Policies

Basis of Accounting

These financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles whereby revenues are recognized in the period earned and expenses when incurred.

Cash equivalents

For purposes of the statements of cash flows, the Company considers short-term investments, which may be withdrawn at any time without penalty, and restricted cash, which will become available within one year from the date of the financial statements, to be cash equivalents.

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 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 Transactions

Security transactions and the related commission revenues and expenses are recorded on the trade date.

Depreciation

The Company's policy is to capitalize all fixed asset with a useful life greater than one year. These items are then depreciated over the estimated useful lives of the assets using the straight line method as follows:

Furniture and fixtures	7 years
Computer equipment	3 years

Note 2 - Significant Accounting Policies (Continued)

Insurance Commissions

Insurance commissions are recorded when the insurance products are funded by the customer and the commission is earned.

Trading Profit

Trading profits include gains and losses on securities traded as well as adjustments to record securities positions at market value.

Financial instruments and credit risk

Financial instruments that potentially subject the Company to credit risk include cash, receivables from clearing broker-dealers and securities owned. The Company had cash balances in excess of federally insured limits of $100,000 at various times during the year. Receivables from clearing broker-dealers represent cash deposited and commissions receivable from these broker dealers and are insured by the Securities Investor Protection Corporation. Securities owned consist of securities held for trading purposes. Securities that are marketable are stated at fair market value (as determined by quoted market prices) and securities not readily marketable are carried at fair value as determined by management of the Company. The increase or decrease in net unrealized appreciation or depreciation of securities is credited or charged to operations.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In addition, a valuation allowance is established to reduce any deferred tax asset in which the Company is not able to determine on a more likely than not basis that the deferred tax asset will be realized.

The Company is also subject to the Texas Franchise tax at 4.5% of Federal taxable income.

Note 3 - Property and Equipment

As of March 31, 2006 property and equipment consisted of the following:

Office furniture	$	16,044
Computer equipment		4,115
		20,159
Accumulated depreciation		(5,136)
Property and equipment, net	$	15,023

Note 4 - Net Capital Requirements

The Company is subject to the SEC uniform net capital rule (Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At March 31, 2005, the Company had net capital and net capital requirements of $242,329 and $100,000, respectively. The Company's aggregate indebtedness to net capital ratio was 1.33 to 1.

Note 5 - Income Taxes

Federal income tax expense for the year ended March 31, 2006 totaled $26,777. The actual Federal income tax provision differs from the amount computed by applying the Federal corporate income tax rate of 34% in 2006 to income before taxes as follows:

Expected Federal tax expense	$	21,711
Non-deductible expenses		2,089
Other items		2,977
Income tax expense	$	26,777

The deferred tax liabilities recorded on the balance sheet as of March 31, 2006 are related to the following:

Fixed assets, net	$	2,225

Note 6 - Commitments and Contingencies

Litigation

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operation, and liquidity.

Note 6 - Commitments and Contingencies (Continued)

Clearing Agreement
Included in the Company's clearing agreement with its clearing broker-dealer, is an indemnification clause. This clause relates to instances where the Company's customers fail to settle security transactions. In the event this occurs, the Company will indemnify the clearing broker-dealer to the extent of the net loss on any unsettled trades. At March 31, 2006, management of the Company had not been notified by the clearing broker-dealer, nor were they otherwise aware, of any potential losses relating to this indemnification.

Leases
The Company has entered into leases for certain administrative office space and equipment. A summary of the total minimum lease payments under non-cancelable operating leases for office space and equipment follows:

Year Ending March 31,		Minimum Lease Payments
2006	$	58,683
2007	$	61,617
2008	$	51,348
2009	$	-
2010	$	-

During the year ended March 31, 2005, rental expense under these leases totaled $59,559.

Note 7 - Common Stock Subscribed

In a prior year, the Company received $55,000 for the purchase of an undetermined number of shares of common stock. During the year ended March 31, 2006, the Company issued 14,000 shares of common stock in full settlement of this common stock subscription.

Note 8 - Securities

Securities include stocks and options to purchase and sell the stocks of publicly traded companies. The Company also has sold stocks that have not yet been purchased. The company had the following securities positions in excess of 10% of net capital at March 31, 2006:

Securities sold, not yet purchased	Sales Proceeds	Market Value
400 shares of Chicago Mercantile Exchange	$ 177,427	$ 179,000

Note 9 - Related Party Transactions

The Company earns fee income related to insurance products from an insurance agency owned by a stockholder of the Company. Total insurance commissions earned from this related party were $157,977 during the year.

Schedule I

EDI FINANCIAL, INC.
Computation of Net Capital and Aggregate Indebtedness
Pursuant to Rule 15c3-1 of the Securities and Exchange Commission
As of March 31, 2006

Total stockholders' equity qualified for net capital	$329,814
Deductions and/or charges	
Non-allowable assets:	
Receivables from related parties	9,504
Property and equipment, net	15,023
Other assets	5,135
Total deductions and/or charges	29,662
Net capital before haircuts on securities	300,152
Haircuts on securities	57,823
Net Capital	$242,329
Aggregate indebtedness	
Accrued commissions payable	$283,946
Deferred tax liabilities	2,225
Accrued expenses and other liabilities	35,270
Total aggregate indebtedness	$321,441
Computation of basic net capital requirement	
Minimum net capital required (greater of $100,000 or 6 2/3% of aggregate indebtedness)	$100,000
Net capital in excess of minimum requirement	$142,329
Ratio of aggregate indebtedness to net capital	1.33 to 1
Reconciliation with company's computation (included in Part II of Form X-17A-5 as of March 31, 2006)	
Net capital, as reported in the Company's Part II (unaudited) FOCUS report	$248,020
Audit adjustments to record income taxes payable and deferred tax liability	(5,691)
Net Capital per above	$242,329

See notes to financial statements and independent auditors' report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

To the Board of Directors of
EDI Financial, Inc.:

In planning and performing our audit of the financial statements and supplemental schedule of EDI Financial, Inc. (the Company) for the year ended March 31, 2006, 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 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 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.

Helin, Donovan, Trubee & Wilkinson, LLP
5918 West Courtyard Drive Suite 400 Austin, TX 78730
512.258.9670 **phone** 512.258.5895 **fax** 866.331.5336 **toll free**
www.helindonovan.com

Russell Bedford

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 March 31, 2006 to meet the SEC's objectives.

This report is intended solely for use of the Board of Directors, management, the SEC, 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 is not intended to be and should not be used by anyone other than these specified parties.

Helin, Donovan, Trubee & Wilkinson, LLP

Helin, Donovan, Trubee + Wilkinson, LLP

Austin, Texas
May 3, 2006