

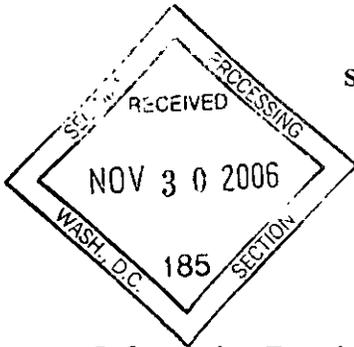
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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



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

OMB APPROVAL  
OMB Number: 3235-0123  
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8- 67140

**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 10/01/05 AND ENDING 09/30/06  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Bristol Financial Services, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

255 Executive Drive

(No. and Street)

Plainview

NY

11803

(City)

(State)

(Zip Code)

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

Michael Hartzman

516-349-5555

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Kalmus, Siegel, Harris & Goldfarb, CPA's, LLP

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

585 Stewart Ave, Suite 550, Garden City, NY 11530

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

**PROCESSED**

**DEC 11 2006**

**FOR OFFICIAL USE ONLY**  
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 basis for the exemption. See Section 240.17a-5(e)(2)

*Handwritten signature*

OATH OR AFFIRMATION

I, Michael Hartzman, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Bristol Financial Services, Inc., as of September 30, 2006, 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:

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

  
Signature

President

Title

  
Notary Public

IRA L. ZANKEL  
Notary Public, State of New York  
No. 01ZA9788115  
Qualified in Nassau County  
Commission Expires Nov. 30, 2006

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.
- (o) Independent Auditors Report on Internal Control

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

# KALMUS, SIEGEL, HARRIS & GOLDFARB, CPAs, LLP

585 Stewart Avenue  
Suite 550  
Garden City, New York 11530  
(516) 227-2525  
Fax (516) 227-2548

Members:  
American Institute of Certified Public Accountants  
N.Y. State Society of Certified Public Accountants

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
Bristol Financial Services, Inc.

We have audited the accompanying statement of financial condition of Bristol Financial Services, Inc. as of September 30, 2006, and the related statements 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 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 Bristol Financial Services, Inc. as of September 30, 2006, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the previous year.

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 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.

  
*Kalmus, Siegel, Harris & Goldfarb, CPAs, LLP*

Garden City, New York  
November 9, 2006

**BRISTOL FINANCIAL SERVICES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
September 30, 2006

**ASSETS**

Cash	\$	29,047
Receivable from mutual fund companies		25,687
Equipment at cost, less accumulated depreciation of \$ 888		<u>16,881</u>
	\$	<u>71,615</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**LIABILITIES**

Accounts payable, accrued expenses and other liabilities	\$	14,226
Income taxes payable		<u>155</u>
<b>TOTAL LIABILITIES</b>		<u>14,381</u>

**STOCKHOLDERS' EQUITY**

Common stock, no par value, 200 shares authorized, 100 shares issued and outstanding		25,000
Additional paid-in capital		67,201
Retained earnings (deficit)		<u>(34,967)</u>
<b>TOTAL STOCKHOLDERS' EQUITY</b>		<u>57,234</u>
	\$	<u>71,615</u>

The accompanying notes are an integral part of the financial statements.

**BRISTOL FINANCIAL SERVICES, INC.**  
**STATEMENT OF STOCKHOLDERS' EQUITY**  
For the year ended September 30, 2006

	<u>Common Shares</u>	<u>Stock Amount</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>
Balance at 10/1/2005	100	\$ 25,000	\$ -	\$ -
Capital Contributed			67,201	
Net Income (Loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,967)</u>
Balance at 9/30/2006	<u>100</u>	<u>\$ 25,000</u>	<u>\$ 67,201</u>	<u>\$ (34,967)</u>

The accompanying notes are an integral part of the financial statements.

**BRISTOL FINANCIAL SERVICES, INC.**

**INCOME STATEMENT**

For the year ended September 30, 2006

**REVENUES**

Commissions and fees	\$	29,015
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**EXPENSES**

Employee compensation and benefits	6,975
Communications and data processing	3,117
Occupancy	1,535
Other operating expenses	52,122
	<u>63,749</u>

INCOME (LOSS) BEFORE TAXES	(34,734)
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PROVISION FOR INCOME TAXES	<u>233</u>
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<b>NET INCOME (LOSS)</b>	<b>\$ <u>(34,967)</u></b>
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The accompanying notes are an integral part of the financial statements.

**BRISTOL FINANCIAL SERVICES, INC.**

**STATEMENT OF CASH FLOWS**

For the year ended September 30, 2006

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income (loss)	\$	(34,967)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation		888
Increase in receivable from mutual fund companies		(25,687)
Increase in accounts payable and other liabilities		14,226
Increase in income taxes payable		<u>155</u>

**NET CASH USED BY OPERATING ACTIVITIES** (45,385)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of equipment (15,798)

**NET CASH USED BY INVESTING ACTIVITIES** (15,798)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Capital contributed 67,201

**NET CASH USED BY FINANCING ACTIVITIES** 67,201

**INCREASE (DECREASE) IN CASH** 6,018

**CASH AT BEGINNING OF YEAR** 23,029

**CASH AT END OF YEAR** \$ 29,047

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Income taxes 78

The accompanying notes are an integral part of the financial statements.

**BRISTOL FINANCIAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2006

**1. ORGANIZATION AND NATURE OF BUSINESS**

The Company is a full disclosed broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of The National Association of Securities Dealers (NASD). The company is a New York Corporation.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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, agency transactions, investment banking, investment advisory, and venture capital businesses.

SECURITY TRANSACTIONS

Principal transactions are recorded on a trade date basis.

COMMISSIONS

Commissions are recorded on a trade date basis as securities transactions occur.

DEPRECIATION

Depreciation is provided on a straight-line basis over estimated useful lives of five years.

STATEMENT OF CASH FLOWS

For the purpose of The Statement of Cash Flows, the Company has defined cash equivalents as highly liquid investments, with maturities of less than 90 days, that are not held for sale in the ordinary course of business.

**3. NET CAPITAL REQUIREMENTS**

The Company rule 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 the ratio of aggregate indebtedness to net capital, both defined, shall not exceed 8 to 1 in its initial year and 15 to 1 in subsequent years.

At September 30, 2006, the Company has net capital of \$ 14,666 which was \$ 9,666 in excess of its required net capital of \$ 5,000. The Company's net capital ratio was .98 to 1.

**BRISTOL FINANCIAL SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2006

**4. INCOME TAXES**

The income tax provision consists of the following:

	<u>Total</u>	<u>Currently Payable</u>
State and local	<u>\$ 233</u>	<u>\$ 155</u>
	<u>\$ 233</u>	<u>\$ 155</u>

**5. RECEIVABLE FROM MUTUAL FUND COMPANIES**

	<u>Receivable</u>
Fees and Commissions Receivable from mutual fund companies	<u>\$ 25,687</u>
	<u>\$ 25,687</u>

**6. COMMITMENTS AND CONTINGENCIES**

The company has obligations under operating leases with initial terms in excess of one year. Minimum aggregate annual rentals for office space and equipment at September 30, 2006, are approximately as listed below:

Fiscal year end	Amount
September 30, 2007	\$ 41,250
September 30, 2008	42,834
September 30, 2009	42,862
Aggregate amount thereafter	48,303

Rent expense for the year ended September 30, 2006 aggregated \$ 1,535.

**7. RELATED PARTY TRANSACTIONS**

The company at times is advanced money by its shareholders or other shareholder owned entities on a short-term basis. At September 30, 2006, there was \$ 9,798 due to shareholders or shareholder owned entities. The company had a cost sharing agreement with another shareholder owned entity to allocate rent, personnel costs, technology and other services.

# KALMUS, SIEGEL, HARRIS & GOLDFARB, CPAs, LLP

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## INDEPENDENT AUDITOR'S SUPPLEMENTARY REPORT ON INTERNAL CONTROL STRUCTURE

Board of Directors of  
Bristol Financial Services, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Bristol Financial Services, Inc. (the Company), for the year ended September 30, 2006, 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 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 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 SEC'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 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.

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 operations 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 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 September 30, 2006 to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, the NASD 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.



*Kalmus, Siegel, Harris & Goldfarb, CPAs, LLP*

November 9, 2006

**SCHEDULE I**  
**BRISTOL FINANCIAL SERVICES, INC.**  
Computation of Net Capital Under Rule 15c3-1 of the  
Securities and Exchange Commission

As of September 30, 2006

**NET CAPITAL**

Total stockholders' equity	\$ 57,234
Deductions:	
A. Non-allowable assets	<u>42,568</u>
<b>NET CAPITAL</b>	<b><u>\$ 14,666</u></b>

**AGGREGATE INDEBTEDNESS**

Accounts payable, accrued expenses, and other liabilities	\$ 14,226
Income taxes payable	<u>155</u>
<b>TOTAL AGGREGATE INDEBTEDNESS</b>	<b><u>\$ 14,381</u></b>

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum net capital required	<u>\$ 5,000</u>
Excess net capital	<u>\$ 9,666</u>
Excess net capital at 1,000%	<u>\$ 13,228</u>
Ratio: Aggregate indebtedness to net capital	<u>.98 to 1</u>

**RECONCILIATION WITH COMPANY'S COMPUTATION** (included in Part II)  
of Form X-17A-5 as of September 30, 2006

Net capital, as reported in Company's Part II (unaudited)	
Focus report	\$ 11,821
Net audit adjustments	<u>2,845</u>
Net capital per above	<b><u>\$ 14,666</u></b>