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UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

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

SEC FILE NUMBER 8- 23275

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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 01/01/06 AND ENDING 12/31/06 MM/DD/YY

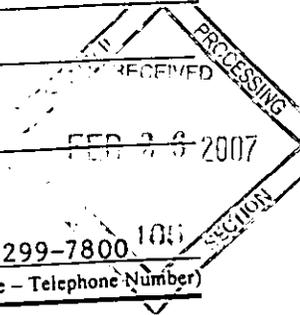
A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: GFong Associates, Inc. ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.) 3658 Mt. Diablo Blvd., Suite 200

OFFICIAL USE ONLY FIRM I.D. NO.

(No. and Street) Lafayette California 94549 (City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT H. Clifford Fong (925) 299-7800 (Area Code - Telephone Number)



B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Breard & Associates Inc., Certified Public Accountants (Name - if individual, state last, first, middle name)

9221 Corbin Avenue, Suite 170 Northridge California 91324 (Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED

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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)

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.

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, H. Clifford Fong, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of GFong Associates, Inc., as of December 31, 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:

[Handwritten Signature]
Signature

Senior VP & Controller
Title

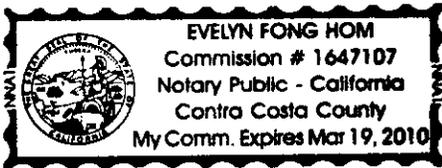
Contra Costa County, California

Evelyn Fong Hom 2-21-07
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).



BREARD & ASSOCIATES, INC.
Certified Public Accountants

Independent Auditor's Report

Board of Directors
GFong Associates Inc.:

We have audited the accompanying statement of financial condition of GFong Associates Inc. (the Company) as of December 31, 2006, and the related statements of income, changes in 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 GFong Associates Inc. as of December 31, 2006, and the results of their operations and their 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 on Schedules I, II, and III is presented for purposes of additional analysis and is not required as 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.



Breard & Associates, Inc.
Certified Public Accountants

Northridge, California
February 6, 2007

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GFong Associates Inc.
Statement of Financial Condition
December 31, 2006

Assets

Cash and cash equivalents	\$ 87,046
Commission receivable	43
Prepaid expenses	<u>455</u>
Total assets	<u>\$ 87,544</u>

Liabilities and Stockholder's Equity

Liabilities

Accounts payable and accrued expenses	\$ 5,470
Income taxes payable	<u>581</u>
Total liabilities	6,051

Stockholder's equity

Common stock, \$50 par value, 1,000,000 shares authorized, 1,000 issued and outstanding	50,000
Additional paid-in capital	30,000
Retained earnings	<u>1,493</u>
Total stockholder's equity	<u>81,493</u>
Total liabilities and stockholder's equity	<u>\$ 87,544</u>

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

GFong Associates Inc.
Statement of Income
For the Year Ended December 31, 2006

Revenue

Commission income	\$ 59,140
Other income	<u>1,798</u>
Total revenue	60,938

Expenses

Clearing fees	16,055
Professional fees	30,581
Occupancy	6,011
Other operating expenses	<u>810</u>
Total expenses	<u>53,457</u>

Net income (loss) before income tax provision 7,481

Income tax provision 1,381

Net income (loss) \$ 6,100

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

GFong Associates Inc.
Statement of Stockholder's Equity
For the Year Ended December 31, 2006

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings / (Accumulated Deficit)</u>	<u>Total</u>
Balance at December 31, 2005 \$	50,000	\$ 30,000	\$ (4,607)	\$ 75,393
Net income (loss)	<u>—</u>	<u>—</u>	<u>6,100</u>	<u>6,100</u>
Balance at December 31, 2006 \$	<u>50,000</u>	<u>\$ 30,000</u>	<u>\$ 1,493</u>	<u>\$ 81,493</u>

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

GFong Associates Inc.
Statement of Cash Flows
For the Year Ended December 31, 2006

Cash flows from operating activities:		
Net income (loss)		\$ 6,100
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Commission receivable	\$ 305	
Prepaid expenses	1,375	
(Decrease) increase in:		
Accounts payable and accrued expenses	1,818	
Income taxes payable	<u>581</u>	
Total adjustments		<u>4,079</u>
Net cash and cash equivalents provided by (used in) operating activities		<u>10,179</u>
Cash flows from investing activities:		-
Cash flows from financing activities:		<u>-</u>
Net increase (decrease) in cash and cash equivalents		10,179
Cash and cash equivalents at beginning of year		<u>76,867</u>
Cash and cash equivalents at end of year		<u>\$ 87,046</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for		
Interest	\$ -	
Income taxes		\$ 800

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

GFong Associates Inc.
Notes to Financial Statements
December 31, 2006

Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

GFong Associates Inc. (the "Company") was incorporated in the State of California on October 3, 2003, and began operation in December 2003. The Company is wholly-owned by Gifford Fong Associates (the "Parent"), a California corporation, which had registered as a broker/dealer under the Securities Exchange Act of 1934, as amended, and transferred its entire broker/dealer operations to the Company as of December 11, 2003. The Company is also a member of the National Association of Securities Dealers ("NASD"), and the Securities Investors Protection Corporation ("SIPC").

The Company does not maintain securities in its physical possession, nor does it maintain customer accounts. All transactions for accounts of customers are cleared through other member firms on a fully disclosed basis.

The Company earns its revenue through soft dollar and retail transactions. During the year ended December 31, 2006, 99% of its revenue came from one client.

Summary of Significant Accounting Policies

The presentation 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

For purposes relating to the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company also includes money market accounts as cash equivalents.

Commissions receivable are stated at face value with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

The Company records commission income and related commission expenses on a trade date basis.

The Company accounts for its income taxes using the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 109, "*Accounting for income taxes*", which requires the establishment of a deferred tax asset or liability for the recognition of the future deductible or taxable amounts and operating loss and tax credit carry forwards. Deferred tax expenses or benefits are recognized as a result of the changes in the assets and liabilities during the year.

GFong Associates Inc.
Notes to Financial Statements
December 31, 2006

Note 2: INCOME TAXES

For the year ended December 31, 2006, the Company recorded the following tax provision.

Current federal taxes	\$ 581
Current state taxes	<u>800</u>
Total income tax provision	<u>\$ 1,381</u>

Note 3: RELATED-PARTY TRANSACTIONS

The Company entered into a lease agreement with the Parent for office space under a sublease which commenced December 2003, and expires December 2008. The base rent of this lease was amended on January 2, 2004. This amendment provides the Parent with the right to review and adjust, at its discretion, the future monthly lease amount with 60-days written notice to the Company.

Future minimum lease payments under the lease are as follows:

<u>Year</u>	<u>Amount</u>
2007	\$ 6,011
2008	6,011
2009 & thereafter	<u>—</u>
Total	<u>\$ 12,022</u>

Rent expense was \$6,011 for the year ended December 31, 2006.

Note 4: RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The evaluation of a tax position in accordance with FIN 48 is a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination based on the technical merits of the position. The second step is measurement of any tax position that meets the more-likely-than-not recognition threshold to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. FIN 48 also provides guidance on the de-recognition of uncertain positions, financial statement classification, accounting for interest and penalties, accounting for interim periods and new disclosure requirements. FIN 48 is effective for fiscal years beginning after December 15, 2006.

GFong Associates Inc.
Notes to Financial Statements
December 31, 2006

Note 4: RECENTLY ISSUED ACCOUNTING STANDARDS
(Continued)

The Company is currently evaluating the impact that the adoption of FIN 48 will have on its financial position and results of operations. However, the impact is not expected to be material.

In September 2006, the FASB issued Statement of Accounting Financial Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The company is currently evaluating the new standard. However, adoption of SFAS 157 is not expected to have a material effect on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements Nos. 87, 106, and 132(R)" ("SFAS 158"). SFAS 158 requires companies to recognize on a prospective basis the funded status of their defined benefit pension and postretirement plans as an asset or liability and to recognize changes in that funded status in the year in which the changes occur as a component of other comprehensive income, net of tax. The effective date of the pronouncement is a function of whether the Company's equity securities are traded publicly. If the entity has publicly traded securities, the effective date is for fiscal years ending after December 15, 2006. Entities without publicly traded securities must adopt the standard for fiscal years ending after June 15, 2007. The company is currently evaluating the new standard. However, adoption of SFAS 158 is not expected to have a material effect on the Company's financial statements.

Note 5: NET CAPITAL

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. Net capital and aggregate indebtedness change day to day, but on December 31, 2006, the Company had net capital of \$79,195, which was \$74,195 in excess of its required net capital of \$5,000; and the Company's ratio of aggregate indebtedness (\$6,051) to net capital was 0.08 to 1, which is less than the 15 to 1 maximum ratio allowed for a broker/dealer.

GFong Associates Inc.
Notes to Financial Statements
December 31, 2006

Note 6: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS

There is a \$1,341 difference between the computation of net capital under net capital SEC rule 15c3-1 and the corresponding unaudited focus part IIA.

Net capital per unaudited schedule		\$ 80,536
Adjustments:		
Retained earnings	\$ (1,581)	
Non-allowable assets	800	
Undue concentration	<u>(560)</u>	
Total adjustments		<u>(1,341)</u>
Net capital per audited statements		<u>\$ 79,195</u>

GFong Associates Inc.
Schedule I - Computation of Net Capital Requirements
Pursuant to Rule 15c3-1
As of December 31, 2006

Computation of net capital

Stockholder's equity

Common stock	\$ 50,000	
Additional paid-in capital	30,000	
Retained earnings	<u>1,493</u>	
Total stockholder's equity		\$ 81,493

Less: Non-allowable assets

Prepaid expenses	<u>(455)</u>	
Total adjustments		<u>(455)</u>

Net capital before haircuts **81,038**

Less: Adjustments to net capital

Haircuts on money market	(1,283)	
Undue concentration	<u>(560)</u>	
Total adjustments to net capital		<u>(1,843)</u>

Net capital **79,195**

Computation of net capital requirements

Minimum net capital requirements

6 2/3 percent of net aggregate indebtedness	\$ 403	
Minimum dollar net capital required	\$ 5,000	
Net capital required (greater of above)		<u>(5,000)</u>

Excess net capital **\$ 74,195**

Ratio of aggregate indebtedness to net capital 0.08: 1

There was a \$1,341 difference between net capital computation shown here and the net capital computation shown on the Company's unaudited Form X-17A-5 report dated December 31, 2006. See Note 6.

GFong Associates Inc.
Schedule II - Computation for Determination of Reserve
Requirements Pursuant to Rule 15c3-3
As of December 31, 2006

A computation of reserve requirement is not applicable to GFong Associates Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(2) (ii).

GFong Associates Inc.
Schedule III - Information Relating to Possession or Control
Requirements Under Rule 15c3-3
As of December 31, 2006

Information relating to possession or control requirements is not applicable to GFong Associates Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(2) (ii).

GFong Associates Inc.
Supplementary Accountant's Report
on Internal Accounting Control
Report Pursuant to 17a-5
For the Year Ended December 31, 2006

BREARD & ASSOCIATES, INC.

Certified Public Accountants

Board of Directors

GFong Associates Inc.:

In planning and performing our audit of the financial statements of GFong Associates Inc. (the Company), as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's 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 consideration of control activities for safeguarding securities. This study included 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 and recordation of differences required by rule 17a-13
2. 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 judgements 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.

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Because of inherent limitations in internal control and 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.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more that inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and 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, as described in the second paragraph of this report, were adequate at December 31, 2006, to meet the SEC's objectives.

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



Breard & Associates, Inc.
Certified Public Accountants

Northridge, California
February 6, 2007