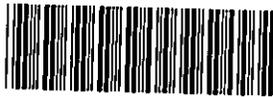


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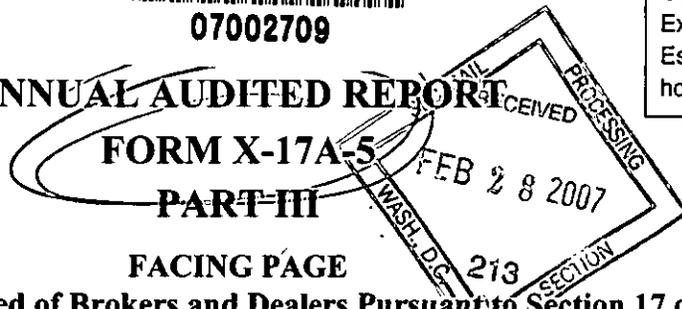
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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

OMB APPROVAL
OMB Number 3235-0123
Expires: January 31, 2007
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SEC FILE NUMBER
8-48994



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 January 1, 2006 AND ENDING December 31, 2006
(MM/DDYY) (MM/DDYY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Northland Securities, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

45 South 7th Street, Suite 2500

(No. and Street)

Minneapolis

(City)

MN

(State)

55402

(Zip Code)

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

Randy Nitzsche

612-851-5900

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Mayer Hoffman McCann P.C.

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

222 South 9th Street, Suite 1700

(Address)

Minneapolis

(City)

MN

(State)

55402

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 07 2007

FOR OFFICIAL USE ONLY

J 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).

SEC 1410 (06-02)

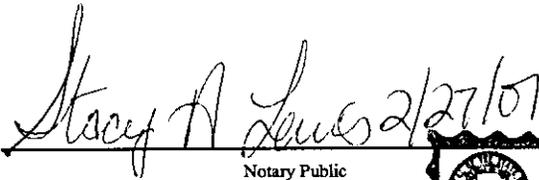
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number

OATH OR AFFIRMATION

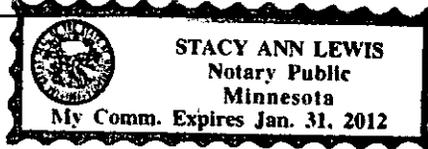
I, Randy Nitzsche, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Northland Securities, Inc. as of December 31, 2006, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature

CEO
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 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 15c-3-3 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 Auditing report on internal accounting controls.

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

NORTHLAND SECURITIES, INC.
FINANCIAL STATEMENTS
PURSUANT TO RULE 17a-5 OF THE
SECURITIES EXCHANGE ACT
Years Ended December 31, 2006 and 2005



Mayer Hoffman McCann P.C.

An Independent CPA Firm

1700 Campbell Mithun Tower
222 South Ninth Street
Minneapolis, MN 55402
phone: 612-339-7811
fax: 612-339-9845
www.mhm-pc.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors

NORTHLAND SECURITIES, INC.

We have audited the statements of financial condition of Northland Securities, Inc. as of December 31, 2006 and 2005 that you are filing pursuant to Rule 17a-5(g) 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 audits.

We conducted our audits in accordance with U.S. 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 audits provide 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 Northland Securities, Inc. as of December 31, 2006 and 2005, in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

Minneapolis, Minnesota
February 23, 2007

NORTHLAND SECURITIES, INC.

STATEMENTS OF FINANCIAL CONDITION

December 31, 2006 and 2005

	2006	2005
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,741,699	\$ 390,838
Clearing deposit	250,000	250,000
Receivable from clearing organization	-	1,810,545
Securities inventory, at market	7,604,124	4,717,806
Accounts receivable	492,225	206,016
Property and equipment, at cost, less accumulated depreciation	236,121	296,999
Other assets	1,252,874	786,835
	\$ 11,577,043	\$ 8,459,039
<u>LIABILITIES</u>		
Accounts payable, trade	\$ 130,523	\$ 194,202
Payable to clearing organization	1,427,357	-
Accrued expenses	2,299,605	1,887,623
Securities sold, not yet purchased	61,407	10,844
	3,918,892	2,092,669
<u>STOCKHOLDER'S EQUITY</u>		
CAPITAL CONTRIBUTED		
Class A common stock, par value \$.01, authorized 9,000,000 shares, issued and outstanding 102,000 shares	1,020	1,020
Additional paid-in capital	14,668,008	14,668,008
TOTAL CAPITAL CONTRIBUTED	14,669,028	14,669,028
RETAINED EARNINGS (DEFICIT)	(7,010,877)	(8,302,658)
TOTAL STOCKHOLDER'S EQUITY	7,658,151	6,366,370
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 11,577,043	\$ 8,459,039

See Notes to Financial Statements

NORTHLAND SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

(1) **Nature of business, financial instruments with off-balance sheet risk, and significant accounting policies**

Nature of business - Northland Securities, Inc. (the Company) is principally engaged in providing securities brokerage, investment banking, and related financial services to individuals, institutions, corporations and municipalities. The Company is a wholly owned subsidiary of Northland Capital Holdings, Inc. (Holdings). The Company shares its facilities and certain other operating expenses and personnel with other wholly owned subsidiaries of Holdings including Northland Trust, Inc. (Trust), Northland Networks, Inc. (Networks) and Northland Directions, Inc. and Subsidiary (Directions). These affiliated companies provide various financial services including consulting, commercial lending placement agent, paying agent and asset management services to individuals, institutional investors, businesses and government agencies.

The Company primarily acts as an introducing broker and dealer of securities with customers in various parts of the United States; however, most customers are located in the upper Midwest area. It clears all transactions for its customers on a fully disclosed basis with a clearing broker or dealer, who carries all the customers' accounts and maintains the related records.

Financial instruments with off-balance sheet risk:

Off-balance-sheet credit and market risk - In the normal course of business, the Company's customer activities involve the execution, settlement and financing of various customer securities, options and bond transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer is unable to fulfill its contracted obligations. The Company clears all transactions for its customers on a fully disclosed basis with a clearing broker or dealer (clearing firm), who carries all the customer accounts and maintains the related records. Nonetheless, the Company is liable to the clearing firm for the transactions of its customers.

The Company records customer transactions on a settlement date basis, which is generally *three business days* after the trade date. Recognition of these transactions on a settlement date basis rather than trade date basis is not expected to have a material effect upon the Company's statement of financial condition.

The Company's customer securities activities are transacted on either a cash or margin basis. The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines, requiring the customers to deposit additional collateral, or reduce positions, when necessary.

NORTHLAND SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Nature of business, financial instruments with off-balance sheet risk, and significant accounting policies (Continued)

Financial instruments with off-balance sheet risk (continued):

Concentrations of credit risk - As an introducing broker and dealer, the Company is engaged in various securities trading and brokerage activities servicing a diverse group of corporations, governments, institutional and individual investors. The Company's exposure to credit risk associated with the nonperformance of these customers in fulfilling their contractual obligations pursuant to securities and options transactions can be directly impacted by volatile trading markets which may impair the customer's ability to satisfy their obligations to the Company.

Fair value considerations - Substantially all of the Company's financial instruments are carried at fair value or amounts that approximate fair value. Investment securities are valued using quoted market or dealer prices. The Company's remaining financial instruments are generally short-term in nature and liquidate at their carrying values.

Significant accounting policies:

Cash and cash equivalents - For purposes of reporting the statements of cash flows, the Company includes all cash accounts, which are not subject to withdrawal restrictions or penalties, as cash and cash equivalents on the accompanying statements of financial condition.

The Company maintains cash in bank accounts, which at times, may exceed federally insured limits. The Company has not experienced any losses on such accounts. The Company believes it is not exposed to any significant credit risk on cash.

Receivables and credit policies - Accounts receivable for fees, reimbursable expenses, and other services are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Past due accounts receivable with invoice dates over 30 days are not charged interest.

Commissions receivable on trades processed by the clearing firm are accrued on a settlement date basis. The commissions receivable are paid to the Company as requested.

Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances that exceed 90 days from invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. At December 31, 2006, management considers all amounts collectible.

NORTHLAND SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Nature of business, financial instruments with off-balance sheet risk, and significant accounting policies (Continued)

Significant accounting policies (continued):

Investment banking - Underwriting revenues and fees from advisory assignments are recorded when the underlying transaction is settled under the terms of the engagement.

Security transactions - Commission income and related expenses for security transactions are recognized on the settlement date basis. There would be no material effect on the financial statements if trade execution date instead of settlement date were used.

Firm trading securities held for resale including securities owned, and securities sold and not yet purchased, are valued at market and unrealized gains and losses are reflected in revenues from principal transactions.

Property and equipment - Property and equipment are recorded at cost. Expenditures for renewals and betterments are capitalized. Repairs and maintenance are charged to expense. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts, any gain or loss is reflected in the results of operations.

Depreciation and amortization - Depreciation and amortization are computed on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives</u>
Computer equipment	5 years
Office furniture and fixtures	7 years
Leasehold improvements	7 years

Depreciation expense was \$114,000 and \$117,000 for the years ended December 31, 2006 and 2005, respectively.

Impairment of long-lived assets - The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the assets. If these assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets

NORTHLAND SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Nature of business, financial instruments with off-balance sheet risk, and significant accounting policies (Continued)

Significant accounting policies (continued):

Income taxes - Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred taxes result principally from the difference in recognition of investment income for financial statement and tax reporting purposes.

Use of estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements:

SFAS 157 - During September 2006, the FASB issued SFAS 157, "Fair Value Measurements" ("SFAS 157"), which provides enhanced guidance for using fair value to measure assets and liabilities. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is required to adopt the provisions of SFAS 157 in the fiscal year beginning January 1, 2008 and is currently evaluating the effects, if any, that this pronouncement may have on the financial statements.

FIN 48- During June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes -- an interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting for uncertainty in income taxes. 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. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is required to adopt the provisions of FIN 48 in our fiscal year beginning January 1, 2007 and is currently evaluating the effects, if any, that FIN 48 may have on the financial statements.

NORTHLAND SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

(2) Receivable from clearing organization

Amounts receivable from the Company's clearing organization consist of the following:

	December 31,	
	2006	2005
Clearing deposits	\$ 250,000	\$ 250,000
Commissions receivable and proceeds from the sale of securities	-	1,811,000
Total	\$ 250,000	\$ 2,061,000

(3) Securities inventory and securities sold, not yet purchased

The following is a summary of the market value of major categories of securities owned and securities sold, not yet purchased as of December 31, 2006 and 2005:

	Securities Available For Sale	Securities Sold, Not Yet Purchased
December 31, 2006		
Corporate equity securities	\$ 310,000	\$ -
Government bonds	478,000	-
Restricted securities	330	-
Municipal bonds	6,796,670	61,000
Corporate debt securities	19,000	-
Total	\$ 7,604,000	\$ 61,000
	Securities Available For Sale	Securities Sold, Not Yet Purchased
December 31, 2005		
Corporate equity securities	\$ 54,000	\$ -
Government bonds	37,000	-
Restricted securities	119,000	-
Municipal bonds	4,490,000	11,000
Corporate debt securities	18,000	-
Total	\$ 4,718,000	\$ 11,000

NORTHLAND SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

(4) Property and equipment

The following is a summary of property and equipment:

	December 31,	
	2006	2005
Office and computer equipment	\$ 532,496	\$ 494,299
Furniture and fixtures	83,921	72,921
Leasehold improvements	23,075	23,075
	639,492	590,295
Less accumulated depreciation	403,371	293,295
Total property and equipment	\$ 236,121	\$ 297,000

(5) Income tax expense

The components of the provision for federal and state income taxes are as follows:

	Years Ended December 31,	
	2006	2005
Current income taxes		
Federal income taxes	\$ 278,000	\$ 248,800
State and local income taxes	76,000	110,100
Tax benefit of net operating loss carryforward	(354,000)	(324,600)
Total current income tax expense	-	34,300
Deferred income taxes		
Net operating loss carryforward	354,000	324,600
Change in deferred tax valuation allowance	(635,000)	(362,400)
Total deferred income tax expense	(281,000)	(37,800)
Total income tax expense	\$ (281,000)	\$ (3,500)
Deferred tax asset	\$ 2,696,000	\$ 3,331,000
Valuation allowance	(2,696,000)	(3,331,000)
Net deferred tax asset	\$ -	\$ -

The Company has a net operating loss carry-forward of \$6,815,000 which starts to expire in 2019. The Company files a consolidated tax return with Holdings, Networks and Northland Trust, Inc. (Trust). The tax expense or benefit is allocated to each of the companies based on each company's proportionate share of the total income of the group.

NORTHLAND SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

(6) Commitments

The Company conducts its operations in leased facilities. The lease agreement provides for monthly rental payments ranging between \$25,000 and \$26,000, plus a proportionate share of the building's operating expenses. Subsequent to year end the Company signed an agreement to extend the lease to September, 2008. Rent expensed under this arrangement was \$507,000 and \$503,000 for the years ended December 31, 2006 and 2005, respectively.

The Company is obligated under operating leases for office and computer equipment. The leases have varying terms expiring through December, 2008. Aggregate payments under these leases amount to \$37,000 per month. Rents expensed under these arrangements were \$354,000 and \$369,000 for the years ended December 31, 2006 and 2005, respectively.

Future minimum lease payments which must be made under noncancellable lease agreements are:

Years Ending December 31,

2007	\$ 712,400
2008	444,500
2009	12,000
Total minimum lease payments	<u>\$ 1,156,900</u>

(7) NASD dispute resolution

In 2003, a Statement of Claim was filed with the National Association of Securities Dealer's, Inc. ("NASD") against Securities by Miller Johnson Steichen Kinnard, Inc. ("MJSK"). This matter was submitted to NASD for arbitration. On September 15, 2004, the NASD decided in favor of MJSK and awarded damages in the amount of \$10,000,000. Securities filed a motion to vacate in the Minnesota State Court. This motion was denied on January 28, 2005. Securities recorded a liability for this award as of December 31, 2004 and amounts due related to this award were paid in 2005.

(8) Customer transactions

The Company does not hold customer funds or securities. Accordingly, the Company is exempt from the requirement to maintain a "Special Reserve Account for the Exclusive Benefit of Customers" under provisions of SEC Rule 15c3-3 based on Paragraph K(2)(ii) of that rule.

NORTHLAND SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

(9) Related party transaction

Networks and Trust are affiliates of the Company through common ownership by Holdings. The Company received a management fee totaling \$129,000 and \$197,000 from Networks and Trust in years ending December 31, 2006 and 2005 respectively. In addition, the Company handles the payment of all salaries for the related companies. The affiliates reimburse the Company for the direct compensation costs as incurred.

The Company has the following receivables (payable) at year end:

	December 31,	
	2006	2005
Networks	\$ 486,000	\$ 46,000
Trust	54,000	11,000
Holdings	356,000	466,000
Directions	24,000	-
	<u>\$ 920,000</u>	<u>\$ 523,000</u>

(10) Net capital requirements

The Company is subject to the Securities and Exchange Commission's uniform net capital rule (Rule 15c 3-1), 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. The rule 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 December 31, 2006, the Company had net capital and net capital requirements of \$5,175,914 and \$257,166, respectively. The Company's net capital ratio was .75 to 1.

(11) Employee benefit plan

The Company has a contributory 401(k) plan (the Plan) that covers substantially all employees. Employees are eligible to participate in the Plan upon completing one day of employment. The Plan does not provide for an employer matching contribution of participant deferrals.

NORTHLAND SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS

(12) Cash flow disclosures

The following is a summary of supplemental cash flow information:

	Years Ended December 31,	
	<u>2006</u>	<u>2005</u>
Cash received: interest	<u>\$ 393,289</u>	<u>\$ 226,648</u>
Cash paid: interest	<u>\$ 102,000</u>	<u>\$ 45,000</u>
Taxes	<u>\$ 35,000</u>	<u>\$ 35,000</u>
Assets and operations of Dakota Capital contributed by Holdings	<u>\$ -</u>	<u>\$ 36,000</u>