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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  
8-52062

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 01-01-2006 AND ENDING 12-31-2006  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: PFA Security Asset Management, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

704 Lisburn Rd. Suite 102  
(No. and Street)

Camp Hill PA 17011  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
David L. Englehart 717-761-8485  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Seligman Friedman + Company P.C.  
(Name - if individual, state last, first, middle name)

1027 Mumma Rd. Wormleysburg PA 17043  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

**PROCESSED**  
**APR 17 2007**  
**THOMSON FINANCIAL**

SEC MAIL RECEIVED  
APR 17 2007  
SECTION 130  
WASH. D.C.

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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)

KG  
4/17

KG  
4/17

OATH OR AFFIRMATION

I, DAVID L ENGLEHART, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of PFA SECURITY ASSET MANAGEMENT INC, as of MARCH 13, 2007, 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:

COMMONWEALTH OF PENNSYLVANIA  
Notarial Seal  
Jonathan Joseph Carbaugh, Notary Public  
Camp Hill Boro, Cumberland County  
My Commission Expires June 1, 2010  
Member, Pennsylvania Association of Notaries

David L Englehart  
Signature  
VICE PRESIDENT  
Title



Notary Public

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

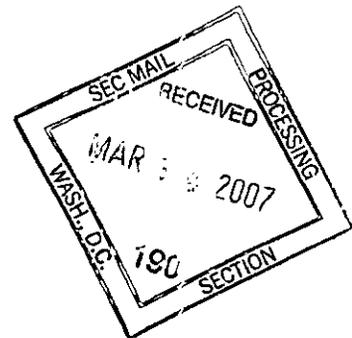
- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims 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).

**PFA SECURITY ASSET  
MANAGEMENT, INC.**

**FINANCIAL STATEMENTS**  
With Supplementary Information

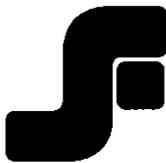
YEARS ENDED DECEMBER 31, 2006 AND 2005



**PFA SECURITY ASSET MANAGEMENT, INC.**

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# SELIGMAN, FRIEDMAN & COMPANY, P.C.

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## INDEPENDENT AUDITORS' REPORT

To the Stockholders  
**PFA Security Asset Management, Inc.**  
704 Lisburn Road, Suite 102  
Camp Hill, Pennsylvania 17011

We have audited the Balance Sheets of **PFA Security Asset Management, Inc.** as of December 31, 2006 and 2005, and the related Statements of Income, Changes in Stockholders' Equity, and Cash Flows for the years then ended. The financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the 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 **PFA Security Asset Management, Inc.** as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with auditing standards generally accepted in the United States of America.

*Seligman Friedman & Company P.C.*

Harrisburg, Pennsylvania  
March 6, 2007

Page 1

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**Founding Partner**  
Murray D. Friedman, CPA

**PFA SECURITY ASSET MANAGEMENT, INC.**

**BALANCE SHEETS**

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 17,900	\$ 11,064
Accounts Receivable	12,349	11,726
<b>TOTAL ASSETS</b>	<u>\$ 30,249</u>	<u>\$ 22,790</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 18,986	\$ 11,726
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock - No Par Value; 1,000 Shares Authorized; 100 Shares Issued and Outstanding	1,000	1,000
Additional Paid-In Capital	45,216	45,216
Accumulated Deficit	(34,953)	(35,152)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<u>11,263</u>	<u>11,064</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 30,249</u>	<u>\$ 22,790</u>

See independent auditors' report and accompanying notes.

**PFA SECURITY ASSET MANAGEMENT, INC.**

**STATEMENTS OF INCOME**

	<u>Year Ended December 31, 2006</u>		<u>Year Ended December 31, 2005</u>	
	<u>Amount</u>	<u>% of Income</u>	<u>Amount</u>	<u>% of Income</u>
COMMISSION INCOME	\$ 851,667	100.0	\$ 847,981	100.0
OPERATING EXPENSES	851,468	100.0	851,788	100.4
NET INCOME (LOSS)	<u>\$ 199</u>	<u>0.0</u>	<u>\$ (3,807)</u>	<u>(0.4)</u>

See independent auditors' report and accompanying notes.

**PFA SECURITY ASSET MANAGEMENT, INC.**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
BALANCE - December 31, 2004	\$ 1,000	\$ 43,816	\$ (31,345)	\$ 13,471
NET LOSS			(3,807)	(3,807)
CONTRIBUTION OF CAPITAL		1,400		1,400
BALANCE - December 31, 2005	1,000	45,216	(35,152)	11,064
NET INCOME			199	199
BALANCE - December 31, 2006	<u>\$ 1,000</u>	<u>\$ 45,216</u>	<u>\$ (34,953)</u>	<u>\$ 11,263</u>

See independent auditors' report and accompanying notes.

**PFA SECURITY ASSET MANAGEMENT, INC.**

**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31,</b>	
	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss)	\$ 199	\$ (3,807)
<b>Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
<b>(Increase) Decrease in</b>		
Accounts Receivable	(623)	(6,301)
<b>Increase (Decrease) in</b>		
Accounts Payable	7,260	(4,789)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>6,836</u>	<u>(14,897)</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		
Additional Paid-In Capital	<u>0</u>	<u>1,400</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	6,836	(13,497)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>11,064</u>	<u>24,561</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 17,900</u>	<u>\$ 11,064</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest Paid	<u>\$ 0</u>	<u>0</u>
Income Taxes Paid	<u>\$ 0</u>	<u>0</u>

See independent auditors' report and accompanying notes.

# PFA SECURITY ASSET MANAGEMENT, INC.

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2006 AND 2005

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

PFA Security Asset Management, Inc. was incorporated in the State of Arizona on July 20, 1999. PFA Security Asset Management, Inc. is registered as a broker-dealer under the U.S. Securities Exchange Act of 1934. The Corporation's operations are limited to investment company products and variable insurance contracts.

#### Accounting Method and Revenue Recognition

The financial statements reflect the accrual method of accounting. Revenue is recognized when earned and expenses are recognized when incurred.

#### Accounts Receivable and Bad Debt

The Corporation writes-off any accounts deemed to be uncollectible. Potential bad debt at the end of the period is immaterial in relation to total accounts receivable. Therefore, a reserve for doubtful accounts has not been established.

#### Income Taxes

The Corporation has elected taxation as a Subchapter "S" Corporation for federal and state income tax purposes. Consequently, tax liabilities are the responsibility of the Corporation's stockholders. Therefore, no income tax provision is reflected in the financial statements.

#### 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# **PFA SECURITY ASSET MANAGEMENT, INC.**

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2006 AND 2005**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Corporation considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

### **2. CONCENTRATION OF CREDIT RISK**

The Corporation primarily transacts business within Pennsylvania. Fluctuations in the economic conditions within the Commonwealth could affect the Corporation's ability to acquire and retain clients.

### **3. NET CAPITAL REQUIREMENTS**

The Corporation 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 that the ratio of aggregated indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange 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 Corporation had net capital of \$11,263, which was \$6,263 in excess of its required net capital of \$5,000. The Corporation's net capital ratio was 1.69 to 1 at December 31, 2006. At December 31, 2005, the Corporation had net capital of \$11,064, which was \$6,064 in excess of its required net capital of \$5,000. The Corporation's net capital ratio was 1.06 to 1 at December 31, 2005.

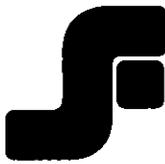
### **4. RELATED PARTY TRANSACTIONS**

All of the Corporation's commission expenses are paid to certain stockholders of the Corporation. Commission expenses were \$829,309 and \$849,708 for the years ended December 31, 2006 and 2005, respectively. Commission expenses due to certain stockholders at December 31, 2006 were \$18,986.

### **5. CONCENTRATION**

The Corporation received 46.0 percent of its income from one investment provider and an additional 48.0 percent from two other providers.

**SUPPLEMENTARY INFORMATION**



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## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION

To the Stockholders  
**PFA Security Asset Management, Inc.**  
704 Lisburn Road, Suite 102  
Camp Hill, Pennsylvania 17011

We have audited the accompanying financial statements of **PFA Security Asset Management, Inc.** as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated March 6, 2007. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the accompanying schedules 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 U.S. 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.

*Seligman Friedman & Company P.C.*

Harrisburg, Pennsylvania  
March 6, 2007

Page 8

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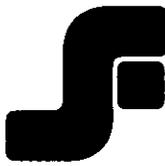
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*Founding Partner*  
Murray D. Friedman, CPA

**PFA SECURITY ASSET MANAGEMENT, INC.**

**SCHEDULES OF COMPUTATION OF NET CAPITAL  
UNDER RULE 15c3-1 OF THE SECURITIES AND  
EXCHANGE COMMISSION AS OF DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>NET CAPITAL</b>		
Stockholders' Equity	<u>\$ 11,263</u>	<u>\$ 11,064</u>
 <b>AGGREGATE INDEBTEDNESS</b>		
Accounts Payable	<u>\$ 18,986</u>	<u>\$ 11,726</u>
 <b>COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS</b>		
<b>Minimum Net Capital Required</b>		
Company (Aggregated Indebtedness x 6.67 Percent)	<u>\$ 1,266</u>	<u>\$ 782</u>
Minimum Dollar Net Capital Required	<u>\$ 5,000</u>	<u>\$ 5,000</u>
 Net Capital	\$ 11,263	\$ 11,064
Less: Minimum Dollar Net Capital Required	5,000	5,000
Excess Net Capital	<u>\$ 6,263</u>	<u>\$ 6,064</u>
 Net Capital	\$ 11,263	\$ 11,064
Aggregate Indebtedness x 10 Percent	1,899	1,173
Excess Net Capital at 1,000 Percent	<u>\$ 9,364</u>	<u>\$ 9,891</u>
 Ratio: Aggregate Indebtedness to Net Capital	<u>1.69</u>	<u>1.06</u>
 <b>RECONCILIATION WITH CORPORATION'S COMPUTATION</b>		
(Included in Part IIA of Form X-17a-5 as of December 31, 2005)		
Net Capital - As Reported in Corporation's Part IIA (Unaudited)		
FOCUS Report	\$ 11,263	\$ 11,064
Adjustments	0	0
<b>NET CAPITAL PER ABOVE</b>	<u>\$ 11,263</u>	<u>\$ 11,064</u>

See independent auditors' report on supplementary information.



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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

To the Stockholders

**PFA Security Asset Management, Inc.**

704 Lisburn Road, Suite 102

Camp Hill, Pennsylvania 17011

In planning and performing our audit of the financial statements of **PFA Security Asset Management, Inc.** for the years ended December 31, 2006 and 2005, 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control of 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.

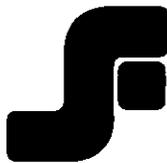
Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific 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 U.S. 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 upon this understanding and on our study, we believe that the Corporation's practices and procedures were adequate at December 31, 2005 and 2004 to meet the SEC's objectives.

This report is intended solely for the information and use of the board of directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the U.S. 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 those specified parties.

*Seligman Friedman & Company P.C.*

Harrisburg, Pennsylvania  
March 6, 2007



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## INDEPENDENT AUDITORS' REPORT ON EXEMPTION FROM PROVISIONS FOR DETERMINATION OF RESERVE REQUIREMENTS PURSUANT TO SECURITIES AND EXCHANGE COMMISSION RULE 15c3-3

To the Stockholders  
**PFA Security Asset Management, Inc.**  
704 Lisburn Road, Suite 102  
Camp Hill, Pennsylvania 17011

Pursuant to our audit of the financial statements of **PFA Security Asset Management, Inc.** as of and for the years ended December 31, 2006 and 2005, we applied additional procedures regarding the Corporation's compliance with maintaining required customer reserves pursuant to Securities and Exchange Commission Rule 15c3-3.

Management believes that the Corporation is exempt for the provisions and requirements of 15c3-3 under paragraph K-(1) of that rule. Transactions are limited to mutual funds, annuities, and liquidating sales in which the proceeds are immediately used to purchase investment company products. The Corporation does not carry securities accounts for customers or perform custodial functions relating to custodial securities.

In conducting our audit in accordance with auditing standards generally accepted in the United States of America, including supplementary information required by Rule 17a-5 of the Securities and Exchange Commission, we noted no instances of noncompliance with the exemption from provisions identified in paragraph K-(1) of Rule 15c3-3.

*Seligman Friedman & Company P.C.*

Harrisburg, Pennsylvania  
March 6, 2007

END

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