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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

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FACING PAGE

Washington, DC

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 01/01/2010 AND ENDING 12/31/2010
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Stannard Financial Services, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

504 East Main Street

(No. and Street)

Pipstone
(City)

MN
(State)

56164
(Zip Code)

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

Toad W. Morgan

507-825-4300

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Muelbuock, Takout & Co.

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

P.O. Box 707
(Address)

Pipstone
(City)

MN
(State)

56164
(Zip Code)

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)

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OATH OR AFFIRMATION

I, Toad W. Morgan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Steward Financial Services, LLC, as of December 31, 2010, 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]
Signature
Resident Principal
Title

[Signature]
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).

**STANNARD FINANCIAL SERVICES, LLC
PIPESTONE, MINNESOTA 56164**

INDEPENDENT AUDITOR'S REPORT

**FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

**Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
P.O. Box 707
Pipestone, Minnesota 56164**

Stannard Financial Services, LLC
Pipestone, Minnesota

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WITH THE FIRM

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Amy L. Mollberg, CPA
Marjorie R. Winter, CPA
Michael K. Dubbelde, PA

INDEPENDENT AUDITOR'S REPORT

To The Members
Stannard Financial Services, LLC
Pipestone, Minnesota

We have audited the accompanying balance sheets of Stannard Financial Services, LLC (a Limited Liability Company) as of December 31, 2010 and 2009 and the related statements of income and members' 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 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 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 Stannard Financial Services, LLC as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules on pages 7, 8, and 9 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion is fairly stated in all material respects in relation to the financial statements taken as a whole.


Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants

February 23, 2011

BALANCE SHEET
DECEMBER 31, 2010 AND 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
<u>Current Assets</u>		
Cash	9,618	11,636
Total Current Assets	<u>9,618</u>	<u>11,636</u>
 <u>Property and Equipment</u>		
Equipment	22,214	22,214
Less Accumulated Depreciation	<u>(19,896)</u>	<u>(19,552)</u>
Total Property and Equipment	<u>2,318</u>	<u>2,662</u>
Total Assets	<u><u>11,936</u></u>	<u><u>14,298</u></u>
 <u>Liabilities and Members' Equity</u>		
<u>Current Liabilities</u>		
Accrued Liabilities	951	931
Total Current Liabilities	<u>951</u>	<u>931</u>
 <u>Members' Equity</u>	<u>10,985</u>	<u>13,367</u>
Total Liabilities and Members' Equity	<u><u>11,936</u></u>	<u><u>14,298</u></u>

See accompanying notes to the financial statements.

STATEMENT OF INCOME AND MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009

<u>Revenues</u>	<u>2,010</u>	<u>2009</u>
Commission Received	65,531	66,754
Interest Income	67	131
Other Revenue	6,000	2,011
Total Revenues	<u>71,598</u>	<u>68,896</u>
<u>Expenses</u>		
Salaries and Benefits	6,291	6,265
Guaranteed Payments to Member	21,467	23,117
Advertising	5,893	5,810
Depreciation	344	435
Miscellaneous	125	518
Dues and Subscriptions	6,068	4,955
Rent	6,873	8,396
Equipment Rental	611	863
Insurance	1,633	2,416
Licenses and Permits	1,656	1,850
Office Supplies	2,708	2,199
Postage	742	1,435
Professional Fees	3,801	3,972
Property Taxes	2,054	
Repairs	2,492	2,134
Telephone	6,531	6,372
Travel/Entertainment/Meals	1,690	1,126
Utilities	3,001	3,069
Total Expenditures	<u>73,980</u>	<u>74,932</u>
Net Loss	(2,382)	(6,036)
Members' Equity-January 1	13,367	19,403
Members' Equity-December 31	<u>10,985</u>	<u>13,367</u>

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009

<u>Cash Flows From Operating Activities</u>	<u>2010</u>	<u>2009</u>
Net Loss	(2,382)	(6,036)
Adjustments To Reconcile Net Income To Net Cash Provided By Operating Activities:		
Depreciation	344	435
(Increase) Decrease in Prepaid Expenses		183
Increase (Decrease) in Accrued Liabilities	20	36
Net Cash Provided (Used) By Operating Activities	<u>(2,018)</u>	<u>(5,382)</u>
 Net Increase (Decrease) in Cash	 (2,018)	 (5,382)
Cash at January 1	<u>11,636</u>	<u>17,018</u>
Cash at December 31	<u><u>9,618</u></u>	<u><u>11,636</u></u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 1

Summary of Significant Accounting Policies

This summary of significant accounting policies of Stannard Financial Services, LLC is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the members who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

A. Nature of Operations

Stannard Financial Services, LLC is a fully-disclosing introductory broker dealer. The firm operates under SEC Rule 15C3-3(k)(2)(i) the Customer Protection Rule. Stannard does not hold customer funds or safekeep customer securities. As an introductory broker dealer, Stannard offers various mutual funds, variable and fixed annuities, face amount certificates and insurance products. Sales by the firm are processed by mutual fund and life insurance companies and other intermediary brokers, with commissions revenues retained by Stannard.

B. Property, Equipment and Depreciation

Property and equipment are valued at cost. Maintenance and repair costs are charged to expense as incurred. Depreciation of equipment is provided using the straight-line method for financial reporting and using the modified accelerated cost recovery system (MACRS) for federal income tax purposes as reported on the members' K-1's. For 2010 and 2009, depreciation expense was \$344 and \$435, respectively, for financial reporting purposes. Useful lives of property and equipment are in a range of 3 to 15 years.

C. Income Taxes

The Company is treated as a partnership for federal income tax purposes and does not incur income taxes. Instead, its earnings and losses are included in the personal returns of the members and taxed depending on their personal tax situations. The financial statements do not reflect a provision for income taxes.

Stannard Financial Services, LLC
Pipestone, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 1 **Summary of Significant Accounting Policies – continued**

D. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. **Cash and Cash Equivalents**

The Company considers all highly liquid investments with a remaining maturity of three months or less to be cash equivalents.

F. **Advertising**

The Company expenses advertising costs as incurred. Total advertising expenses for the year were \$5,893 and \$5,810 for 2010 and 2009 respectively.

G. **Limited Liability of Members**

Liability of the individual members of the company is limited to their investment in the company.

Note 2 **Rent**

The company leases its computer system and office space. The firm's lease calls for rent to be paid each month March through December. The lease payments are flexible and determined by the owner of the property, Todd Morgan who is a 100% owner and member of Stannard Financial Services, LLC. Rents not paid do not accrue as a liability of the company due to the common ownership.

Note 3 **Related Party**

Todd Morgan is the sole member of Stannard Financial Services, LLC. The firm leases office space and equipment from Todd Morgan as described in Note 2.

Note 4 **Subsequent Events**

Subsequent events have been evaluated through February 23, 2011, which is the date the financial statements were available to be issued.

NET CAPITAL COMPUTATION
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Total Assets	11,936	14,298
Total Liabilities	<u>951</u>	<u>931</u>
Net Capital	10,985	13,367
Adjustments:		
Property and Equipment (Non-allowable Assets)	<u>(2,318)</u>	<u>(2,662)</u>
Total Adjustments	<u>(2,318)</u>	<u>(2,662)</u>
Adjusted Net Capital	8,667	10,705
Required Net Capital	<u>5,000</u>	<u>5,000</u>
Excess Net Capital	<u><u>3,667</u></u>	<u><u>5,705</u></u>

SCHEDULE OF AGGREGATE INDEBTEDNESS/NET CAPITAL RATIO
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Aggregate Indebtedness	<u>951</u>	<u>931</u>
Net Capital	<u>8,667</u>	<u>10,705</u>
Ratio of Aggregate Indebtedness to Net Capital	<u>10.97%</u>	<u>8.70%</u>

No material differences were noted between Net Capital Computation and Focus Report, Form X-17A-5.

Stannard Financial Services, LLC
Pipestone, Minnesota

Schedule 3

SCHEDULE OF MATERIAL INADEQUACIES
DECEMBER 31, 2010 AND 2009

Material Inadequacies

None

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INDEPENDENT AUDITOR'S REPORT ON
MONEY LAUNDERING COMPLIANCE PROGRAM

To The Members
Stannard Financial Services, LLC
Pipestone, Minnesota

We have reviewed the compliance of Stannard Financial Services, LLC with their Anti-Money Laundering Compliance Program in effect for the twelve months ended December 31, 2010, as conducted in conformity with standards established by the American Institute of Certified Public Accountants. Our review consisted of testing the following:

1. Obtaining a copy of the Anti-Money Laundering compliance Program as adopted by Stannard Financial Services, LLC and review of those procedures.
2. Selecting a sample of clients from the client list and verifying compliance with the firms Anti-Money Laundering Compliance Program including OFAC and Customer Identification Program (CIP).
3. Reviewed continuing education with member Todd Morgan.

The management of Stannard Financial Services, LLC is responsible for establishing and maintaining their Anti-Money Laundering Compliance Program. The objectives of the Anti-Money Laundering Compliance Program are to provide management with reasonable, but not absolute, assurance that management is complying with the Anti-Money Laundering Compliance Program. Because of inherent limitations in an Anti-Money Laundering Compliance Program, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the Anti-Money Laundering Compliance Program to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In our opinion, the Anti-Money Laundering Compliance Program of Stannard Financial Services, LLC in effect for the twelve months ended December 31, 2010 met the objective of compliance with regulatory guidelines.

Meulebroeck, Taubert & Co., PLLP

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
February 23, 2011