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

OMB APPROVAL
OMB Number: 3235-0123
Expires: March 31, 2016
Estimated average burden
hours per response..... 12.00



14046698

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

SEC
Processing
Section
FEB 28 2014

SEC FILE NUMBER
8-52394

FACING PAGE 124 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 01/01/13 AND ENDING 12/31/13
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: WATKINS FINANCIAL SERVICES

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

722 WEST SHEPARD LANE SUITE 103

(No. and Street)

FARMINGTON

UTAH

84025

(City)

(State)

(Zip Code)

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

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

STAYNER, BATES & JENSEN P.C.

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

510 SOUTH 200 WEST ST 200 SALT LAKE CITY

UTAH

84101

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

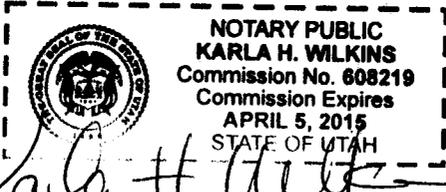
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

3/18/14

OATH OR AFFIRMATION

I, CHRISTOPHER M. WATKINS, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of WATKINS FINANCIAL SERVICES, as of DECEMBER 31, 2013, 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:

Christopher M. Watkins
Signature
PRESIDENT
Title


Karla H. Wilkins
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).

**SECURITIES AND EXCHANGE
COMMISSION
WASHINGTON, D.C.**

ANNUAL AUDIT REPORT

DATE – DECEMBER 31, 2013

WATKINS FINANCIAL SERVICES, INC.

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Stayner Bates & Jensen P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of
Watkins Financial Services, Inc.
Farmington, Utah

We have audited the accompanying financial statements of Watkins Financial Services, Inc. (the Company) which comprise the statement of financial condition as of December 31, 2013 and the related statements of operations, stockholders' equity, changes in subordinated borrowings, and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Watkins Financial Services, Inc. as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in the Supplementary Information on pages 14 and 15 is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in the Supplementary Information on pages 14 and 15 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in the Supplementary Information on pages 14 and 15 is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Stayner, Bates & Jensen, P.C.

Stayner, Bates & Jensen, P.C.
Salt Lake City, Utah
February 26, 2014

Watkins Financial Services, Inc.

Balance Sheet

December 31, 2013

ASSETS

Current Assets:

| | | |
|---|----|---------------|
| Cash | \$ | 12,684 |
| Receivables from customers | | <u>36,250</u> |
| Total Current Assets | | 48,934 |
| Property and equipment, net (Notes 2 and 3) | | <u>1,583</u> |
| Total Assets | \$ | <u>50,517</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

| | | |
|---|----|---------------|
| Accounts payable | \$ | 9,287 |
| Accrued liabilities | | <u>1,160</u> |
| Total Current Liabilities | | 10,447 |
| Subordinated debt to stockholder (Note 4) | | <u>10,000</u> |
| Total Liabilities | | <u>20,447</u> |

Stockholders' Equity:

| | | |
|---|----|---------------|
| Common stock - \$ 0.10 par value; 1,000 authorized shares, 1,000 shares issued and outstanding | | 100 |
| Additional paid-in capital | | 28,900 |
| Retained earnings | | <u>1,070</u> |
| Total Stockholders' Equity | | <u>30,070</u> |
| Total Liabilities and Stockholders' Equity | \$ | <u>50,517</u> |

The accompanying notes are an integral part of these financial statements

Watkins Financial Services, Inc.
Statement of Operations
For the Year Ended December 31, 2013

| | | |
|----------------------------------|----|----------------|
| Revenues - commissions | \$ | <u>469,114</u> |
| Expenses | | |
| Officer concessions | | 317,459 |
| Payroll | | 102,353 |
| Other general and administrative | | <u>54,267</u> |
| Total Expenses | | <u>474,079</u> |
| Net Loss | \$ | <u>(4,965)</u> |

The accompanying notes are an integral part of these financial statements

Watkins Financial Services, Inc.
Statement of Stockholders' Equity
For the Year Ended December 31, 2013

| | <u>Common Stock</u> | | <u>Additional</u> | <u>Retained</u> | <u>Total</u> |
|-------------------------------|---------------------|---------------|-------------------|-----------------|------------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Paid-In</u> | <u>Earnings</u> | |
| | | | <u>Capital</u> | | |
| Balance, January 1, 2013 | 1,000 | \$ 100 | \$ 28,900 | \$ 6,035 | \$ 35,035 |
| Net loss | - | - | - | (4,965) | (4,965) |
| Balance, December 31, 2013 | <u>1,000</u> | <u>\$ 100</u> | <u>\$ 28,900</u> | <u>\$ 1,070</u> | <u>\$ 30,070</u> |

The accompanying notes are an integral part of these financial statements

Watkins Financial Services, Inc.
Statement of Changes in Subordinated Borrowings
For the Year Ended December 31, 2013

| | | |
|--|----|---------------|
| Subordinated borrowings, beginning of year | \$ | 10,000 |
| Increases | | - |
| Decreases | | - |
| Subordinated borrowings, end of year | \$ | <u>10,000</u> |

The accompanying notes are an integral part of these financial statements

Watkins Financial Services, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2013

Cash Flows From Operating Activities:

| | | |
|---|----|---------|
| Net loss | \$ | (4,965) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation expense | | 947 |
| Change in assets and liabilities: | | |
| Accounts receivable | | (1,520) |
| Accounts payable | | 8,862 |
| Accrued liabilities | | (4,740) |

Net Cash Used in Operating Activities (1,416)

Cash Flows From Investing Activities:

-

Cash Flows From Financing Activities:

-

Net decrease in cash (1,416)

Cash, beginning of year 14,100

Cash, end of year \$ 12,684

Supplemental Cash Flow Information

Cash paid for interest \$ -

The accompanying notes are an integral part of these financial statements

WATKINS FINANCIAL SERVICES, INC.

Notes to the Financial Statements

December 31, 2013

1. Nature of Operations

Watkins Financial Services, Inc. (the "Company") was incorporated in the State of Utah on January 7, 2000, for the purpose of operating a broker dealer business. All issued shares of the Company's common stock are held by one shareholder (the shareholder).

2. Summary of Significant Accounting Policies

The Company's accounting policies reflect practices of the financial services industry and conform to generally accepted accounting principles. The following policies are considered to be significant:

Accounting method

The financial statements are prepared using the accrual method of accounting. The Company has elected a December 31 year-end.

Revenue and cost recognition

Revenues are recognized as follows:

- *Commissions:* Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.
- *Securities Transactions:* Securities transactions are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' securities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis.

Income taxes

The Company has elected, with the consent of its shareholder, to be taxed as an "S" corporation under the Internal Revenue Service Code Section 1362. An "S" Corporation does not generally pay income taxes, but instead, its shareholders are taxed on the Company's income. Therefore these statements will not include any provision for corporate income tax.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances in making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. While actual results could differ from those estimates, management believes that the estimates are reasonable.

WATKINS FINANCIAL SERVICES, INC.
Notes to the Financial Statements
December 31, 2013

2. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

For the purpose of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Property and equipment

Property and equipment is stated at cost. Depreciation is provided using straight-line methods over the estimated useful lives of the assets. The estimated useful lives are as follows:

| | |
|------------------------|---------|
| Office equipment | 3 years |
| Furniture and fixtures | 7 years |

Receivables from customers

No allowance for uncollectible accounts has been provided. Management has evaluated the accounts and believes they are all collectible at December 31, 2013.

Advertising

The Company follows the policy of charging the cost of advertising to expense as incurred.

Fair value of financial instruments

The fair value of financial instruments including cash, contracts receivable, accounts payable, and notes payable approximate book values at December 31, 2013.

Concentrations of credit risk

The Company provides consulting and brokerage services to corporations, pension and retirement funds, and individuals in the United States. Substantially all revenues and receivables relate to providing services to these entities and individuals.

Although the Company is directly affected by the economy, management does not believe significant credit risk exists at December 31, 2013.

Cash is comprised of cash on deposit in the bank. The Company's bank deposits are held in a financial institution which is insured by the Federal Deposit Insurance Corporation ("FDIC") to certain levels. The Company has not experienced any losses in such accounts or lack of access to its cash, and believes it is not exposed to significant risk of loss with respect to cash. However, no assurance can be provided that access to the Company's cash will not be impacted by adverse economic conditions in the financial markets. As of December 31, 2013, the Company did not have any amount in excess of the FDIC coverage.

WATKINS FINANCIAL SERVICES, INC.
Notes to the Financial Statements
December 31, 2013

2. Summary of Significant Accounting Policies (Continued)

Impact of new accounting pronouncements

The Company has reviewed all recently issued, but not yet adopted, accounting standards in order to determine their effects, if any, on its results of operation, financial position or cash flows. Based on that review, the Company believes that none of these pronouncements will have a significant effect on the financial statements.

3. Property and Equipment

Property and equipment consisted of the following at December 31, 2013:

| | | |
|------------------------------|----|----------------|
| Office equipment | \$ | 2,236 |
| Furniture and fixtures | | <u>6,625</u> |
| Total property and equipment | | 8,861 |
| Accumulated depreciation | | <u>(7,278)</u> |
| Property and equipment, net | \$ | <u>1,583</u> |

Depreciation expense on property and equipment was \$947 for the year ended December 31, 2013.

4. Related Party Transactions

The Company has subordinated debt to a shareholder in the amount of \$10,000. The debt is due September 30, 2016, and is non-interest bearing. The debt is subordinated to all other liabilities.

The Company provides services for individuals and entities that are related to the shareholder of the Company. The Company had \$355,445, or 76% of its revenue, from these individuals and entities for the year ended December 31, 2013.

WATKINS FINANCIAL SERVICES, INC.
Notes to the Financial Statements
December 31, 2013

5. Fair Value of Financial Instruments

None of the Company's financial instruments are held for trading purposes. The Company estimates that the fair value of all financial instruments at December 31, 2013 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

6. Net Capital Requirements

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. The Company has elected to use the alternative method, permitted by the Rule, which requires that the Company maintain minimum net capital of the greater of \$5,000 or 6 2/3% of Aggregate Indebtedness. At December 31, 2013, the Company had net capital of \$38,487, which was \$33,487 in excess of its required net capital of \$5,000.

7. Reserve Requirements

The Company is exempt from the provisions of Rule 15c3-3 (per paragraph K (2) (i)) under the Securities Exchange Act of 1934, as a broker or dealer which carries no customers' accounts and does not otherwise hold funds or securities of customers and therefore makes no computation for determination of reserve requirements pursuant to the rule.

8. SIPC Supplementary Report Requirement

The Company is not required to complete the SIPC Supplementary Report under SEC Rule 17a-5(e)(4) for the year ended December 31, 2013 because the Company's SIPC Net Operating Revenues are under \$500,000.

9. Subsequent Events

The Company has evaluated subsequent events through February 26, 2014, the date which the financial statements were available to be issued, and noted no material subsequent events that would require adjustment to or disclosure in these financial statements as of December 31, 2013.

Watkins Financial Services, Inc.
Computation of Net Capital Under Rule 15c3-1 of the
Securities and Exchange Commission
December 31, 2013

COMPUTATION OF NET CAPITAL

| | |
|---|-------------------------|
| Total ownership equity from statement of financial condition | \$ 30,070 |
| Add: Subordinated borrowing allowable in computation of net capital | 10,000 |
| Less: Non-allowable assets (see page 15) | <u>(2,185)</u> |
| NET CAPITAL | <u>\$ 37,885</u> |

COMPUTATION OF NET CAPITAL REQUIREMENTS

| | |
|---|-------------------------|
| Minimum net aggregate indebtedness - 6-2/3% of net aggregate indebtedness | <u>\$ 696</u> |
| Minimum dollar net capital required | <u>\$ 5,000</u> |
| Net Capital required (greater of above amounts) | <u>\$ 5,000</u> |
| EXCESS CAPITAL | <u>\$ 32,885</u> |
| Excess net capital at 1000% (net capital less 10% of aggregate indebtedness) | <u>\$ 36,840</u> |

COMPUTATION OF AGGREGATE INDEBTEDNESS

| | |
|---|------------------|
| Total liabilities net of deferred income taxes payable and deferred income | <u>\$ 10,447</u> |
| Percentage of aggregate indebtedness to net capital | 28% |

The following is a reconciliation of the above net capital computation with the Company's corresponding unaudited computation pursuant to Rule 179-5(d)(4):

| | |
|---------------------------------------|-------------------------|
| NET CAPITAL PER COMPANY'S COMPUTATION | \$ 37,885 |
| Audit Adjustments | <u>-</u> |
| NET CAPITAL PER AUDIT REPORT | <u>\$ 37,885</u> |

Watkins Financial Services, Inc.

Non-Allowable Assets

December 31, 2013

NON-ALLOWABLE ASSETS

| | | |
|---|----|---------------------|
| Property and equipment, at cost, net of accumulated depreciation of \$7,278 | \$ | 1,583 |
| Other | | <u>602</u> |
| TOTAL NON-ALLOWABLE ASSETS | \$ | <u><u>2,185</u></u> |

PART II

WATKINS FINANCIAL SERVICES, INC.

STATEMENT OF INTERNAL CONTROL

DECEMBER 31, 2013



Stayner Bates & Jensen P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5

To the Shareholders and Board of Directors of
Watkins Financial Services, Inc.
Farmington, Utah

In planning and performing our audit of the financial statements of Watkins Financial Services, Inc. as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Watkins Financial Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing our audit 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 Watkins Financial Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Watkins Financial Services, Inc.'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 Watkins Financial Services, Inc. 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 Watkins Financial Services, Inc. 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 Watkins Financial Services, Inc. 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 previously 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.

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 deficiency in internal control 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 and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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 previously.

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 Watkins Financial Services, Inc.'s practices and procedures, as described in the second paragraph of this report, were adequate at February 26, 2014, to meet the SEC's objectives.

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

Stayner, Bates & Jensen, P.C.

Stayner, Bates & Jensen, P.C.
Salt Lake City, Utah
February 26, 2014