



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

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

OMB APPROVAL
OMB Number: 3235-0123
Expires: 29 March 31, 2016
Estimated average burden
hours per response... 12.00

SEC FILE NUMBER
8-26726

6/30

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 4-1-14 AND ENDING 3-31-15
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: MIDKIFF & STONE CAPITAL GROUP, INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

5410 LOS ROBLES

(No. and Street)

CARLSBAD

CA

92008

(City)

(State)

(Zip Code)

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

M. E. MIDKIFF

760 683-5231

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

EVANS, JOHN B. II

PCAOB 3696

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

3 RIVERWAY, SUITE 125 HOUSTON

TX

77056

(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

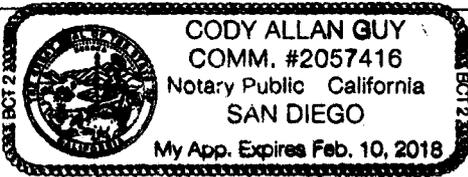
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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OATH OR AFFIRMATION

I, MORRIS E. MIDKIFF, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MIDKIFF & STONE CAPITAL GROUP, INC., as of MARCH 31, 20 15, 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:

- NONE -



[Signature]
Notary Public

M. E. Midkiff
Signature

PRESIDENT

Title

State of California
County of San Diego
Subscribed and sworn to (or affirmed)
before me on this 16th day of June,
20 15 by MORRIS MIDKIFF

proved to me on the basis of satisfactory evidence to be
the person(s) who appeared before me.

Signature [Signature]

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).

MIDKIFF AND STONE CAPITAL GROUP, INC

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
of Midkiff & Stone Capital Group, Inc. (MSCG)

I have audited the accompanying financial statements of MSCG (a Connecticut corporation), which comprise the statement of financial condition as of March 31, 2015 and the related statements of income, changes in stockholder's equity 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 and supplemental information. MSCG's management is responsible for these financial statements. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor was I engaged to perform, an audit of its internal control over financial reporting. My audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of MSCG as of March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The supplementary information contained in: Schedule I - Computation of Net Capital Under Rule 15c3-1 and Schedule II - Exemption Report Review has been subjected to audit procedures performed in conjunction with the audit of MSCG's financial statements. The supplemental information is the responsibility of MSCG's management. My audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming my opinion on the supplemental information, I evaluated whether the supplemental information, including its form and content, is presented in conformity with Rule 17a-5 of the Securities Exchange Act of 1934. In my opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.



John B. Evans, II, CPA

Houston, Texas

June 05, 2015

MIDKIFF AND STONE CAPITAL GROUP, INC
STATEMENT OF FINANCIAL CONDITION
AS OF MARCH, 31 2015

ASSETS

Cash and cash equivalents	\$ 36,447
Trade accounts receivable - Client Billing	3,676
Brokerage Clearance account	<u>10,000</u>

TOTAL CURRENT ASSETS 50,123

TOTAL ASSETS 50,123

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES

Accounts payable	5,573
Accrued expenses	7,445
Connecticut income tax payable	250

TOTAL CURRENT LIABILITIES 13,268

TOTAL LIABILITIES 13,268

STOCKHOLDER'S EQUITY

Common stock, no par value; 5,000 shares authorized, 200 shares issued and outstanding	1,000
Additional paid-in capital	14,000
Retained earnings	<u>21,855</u>

TOTAL STOCKHOLDER'S EQUITY 36,855

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY \$ 50,123

The accompanying notes are an integral part of this statement

MIDKIFF AND STONE CAPITAL GROUP, INC
STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2015

REVENUES

Securities commissions	\$ 9,372
Mutual fund sales	8,751
Investment advisory	47,129
Dividends and interest	314
Securities - Gain/ (Loss)	<u>(11,157)</u>
TOTAL REVENUE	<u>54,409</u>

EXPENSES

Salaries	17,168
Rental expense - related party	7,710
Regulatory expenses	8,528
Payroll taxes	1,809
Employee benefits	4,832
Other expenses	460
Auto	1,516
Office expenses	668
Telephone	2,370
Travel & Entertainment	774
Legal & Accounting	4,000
Pension expense	<u>4,292</u>
TOTAL EXPENSES	<u>54,127</u>
Net income before provision for income tax	282
State Business/ Franchise tax expense	<u>(1,050)</u>
NET INCOME	<u><u>\$ (768)</u></u>

The accompanying notes are an integral part of this statement

MIDKIFF AND STONE CAPITAL GROUP, INC
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
AS OF MARCH 31, 2015

	<u>COMMON STOCK</u> <u>SHARES</u>	<u>AMOUNT</u>	<u>ADDITIONAL</u> <u>PAID-IN CAPITAL</u>	<u>RETAINED</u> <u>EARNINGS</u>	<u>TOTAL</u>
Balances at March 31, 2014	200	\$ 1,000	\$ 14,000	\$ 22,623	\$ 37,623
NET INCOME				(768)	(768)
Balances at March 31, 2015	<u>200</u>	<u>\$ 1,000</u>	<u>\$ 14,000</u>	<u>\$ 21,855</u>	<u>\$ 36,855</u>

The accompanying notes are an integral part of this statement.

MIDKIFF AND STONE CAPITAL GROUP, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income (loss)	\$ (768)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Changes in:	
Receivable from clearing broker-dealer	906
Investments	14,322
Accounts payable and other liabilities	<u>(2,016)</u>
Net cash provided by operating activities	<u>12,444</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Demand Note Receivable	17,004
Deposits: Clearance	<u>0</u>
Net cash used in financing activities	<u>17,004</u>

NET CHANGE IN CASH

Cash at beginning of year	<u>6,999</u>
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CASH AND CASH EQUIVALENTS AT END OF YEAR

36,447

Supplemental Disclosures of Cash Flow Information:

Cash paid for State Business/ Franchise taxes	<u>\$ 1,050</u>
Cash paid for interest expense	<u>\$ 0</u>

The accompanying notes are an integral part of this statement.

MIDKIFF AND STONE CAPITAL GROUP, INC.
Notes to the Financial Statements
March 31, 2015

Note 1 – Nature of Business

Midkiff & Stone Capital Group, Inc. was incorporated in Connecticut and commenced operations on April 23, 1981. Midkiff & Stone is engaged in investment banking, brokerage and investment research activities and is a member of the Financial Industry Regulatory Authority (FINRA). Midkiff & Stone operates under the provisions of Paragraph K (2) (ii) of Rule 15c3-3 of the SEC, and accordingly is exempt from the remaining provisions of that Rule. Customers consist primarily of individuals located throughout the United States of America. The company is 100% owned by Mick Midkiff as of October 31, 2011.

Note 2 – Significant Accounting Policies

Basis of Accounting

These financial statements are presented on the accrual basis of accounting in accordance with generally accepted principles in the United States of America. Revenues are recognized in the period earned and expenses when incurred.

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 the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Investments

Marketable securities consist of publicly traded securities. Dividends are recorded on the ex-dividend date. The cost of the marketable securities sold is determined on the specific identification method. Securities are carried at market value.

Cash Equivalents

For purposes of the statement of cash flows, Midkiff & Stone considers short-term investments, which may be withdrawn at any time without penalty, and restricted cash, which will become available within one year from the date of the financial statements, to be cash equivalents.

MIDKIFF AND STONE CAPITAL GROUP, INC.
Notes to the Financial Statements
March 31, 2015

Accounts Receivable

Accounts receivable are recognized when the clients are billed. The accounts receivable balances as of March 31, 2015 are thought to be collectible and no provision for uncollectible accounts has been made in these statements.

Securities Transactions

Securities transactions and the related commission revenues and expenses are recorded on a trade date basis.

Investment Advisory

Investment advisory fees are received monthly in arrears and are recognized as earned.

Financial Instruments and Credit Risk

Financial instruments that potentially subject the Company to credit risk include cash and cash equivalents, receivables from broker-dealers and clearing organizations, concessions receivables, securities owned and securities sold, not yet purchased, and advances to and notes from employees. Currently, the federally insured limit on accounts covered by the Federal Deposit Insurance Corporation (FDIC) is \$250,000. The Company did not have cash and cash balances in excess of the federally insured limits at March 31, 2015. Securities owned and securities sold, not yet purchased consist of securities held for trading purposes. Securities that are marketable are stated at fair value (as determined by quoted market prices) and securities not readily marketable are carried at fair value as determined by management of the Company. The increase or decrease in net unrealized appreciation or depreciation of securities is credited or charged to operations.

Customer Funds

Midkiff & Stone is approved to sell private securities and limited partnership interests but is not approved to hold customer funds on account.

Income Taxes

Midkiff & Stone accounts for income tax in accordance with FASB ACS 740 – Income Taxes. This statement prescribes the use of the asset and liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

MIDKIFF AND STONE CAPITAL GROUP, INC.
Notes to the Financial Statements
March 31, 2015

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. Realization of the deferred income tax asset is dependent on Midkiff & Stone generating sufficient taxable income in future years.

There are no deferred tax assets or liabilities as of March 31, 2015.

Note 3 – Impact of recently issued accounting standards

The Company has assessed the recently issued or proposed accounting standards from the Financial Accounting Standards Board or other standards-setting bodies. They are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Note 4 – Fair Value of Financial Instruments

Midkiff & Stone's financial instruments consist of cash, receivables, and investments in marketable securities and payables. The carrying amount of cash, receivables and payables approximates fair value because of the short-term nature of these items.

As defined in FASB ACS 820 – Fair Value Measurements & Disclosures, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price methodology). FASB ACS 820 establishes a framework for measuring fair value that includes a hierarchy used to classify inputs in measuring fair value. The hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels which are either observable or unobservable. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect an entity's view of market assumptions in the absence of observable market information. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy defined by FASB ACS 820 are as follows:

Level 1: Fair value is based on unadjusted quoted prices in active markets that are accessible to Midkiff & Stone for identical assets and liabilities. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. These generally provide the most reliable evidence and are used to measure fair value whenever available. Midkiff & Stone's Level 1 assets include exchange traded equities and equity options. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

MIDKIFF AND STONE CAPITAL GROUP, INC.

Notes to the Financial Statements

March 31, 2015

Level 2: Fair value is based upon significant inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable for substantially the full term of the asset or liability through corroboration with observable market data as of the reporting date. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets and liabilities, model-derived valuations whose inputs are observable or whose significant value drivers are observable and other observable inputs.

Level 3: Fair value is based on significant unobservable inputs which reflect the entity's or third party pricing service assumptions about the assumptions market participants would use in pricing an asset or liability. Valuations are estimated based on non-binding broker prices or internally developed valuation models or methodologies, discounted cash flow models and other similar techniques.

The following table sets forth Midkiff & Stone's assets that are measured at fair value on a recurring basis as of March 31, 2015:

Description	Total	Level 1	Level 2	Level 3
Securities owned:				
Equity securities and funds	0	0	-	-
			-	-
Total Assets	\$ 0	\$ 0	\$ -	\$ -

Note 5 – Pension and Profit-Sharing Plan

Midkiff & Stone has a pension and profit-sharing plan in effect covering substantially all employees and may make annual contributions to the plan up to 25% of compensation of qualified employees. Forfeitures of non-vested benefits occurring during a year are credited against the profit-sharing expense for that year. The pension plan is a defined contribution plan, which is intended to qualify under Section 401(a) of the Internal Revenue Code. As a defined contribution plan, it is not covered under Title IV of ERISA and, therefore, benefits are not insured by the Pension Benefit Guaranty Corporation. The pension plan expense for the year ended March 31, 2015 was \$4,292.

Note 6 – Net Capital Contribution

Midkiff & Stone is subject to the SEC uniform net capital rule (Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio

MIDKIFF AND STONE CAPITAL GROUP, INC.
Notes to the Financial Statements
March 31, 2015

of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1 during the first year of operations and 15 to 1 thereafter. Rule 15c3-1 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 March 31, 2015, Midkiff & Stone had net capital and net capital requirements, as defined, of \$32,450 and \$5,000, respectively. Midkiff & Stone's aggregate indebtedness to net capital ratio was 0.41 to 1.

Note 7 – Commitments and Contingencies

Included in Midkiff & Stone's clearing agreement contains an indemnification clause. This clause related to instances where Midkiff & Stone's customers fail to settle security transactions. In the event this occurs, Midkiff & Stone will indemnify the clearing broker-dealer to the extent of the net loss on any unsettled trades. At March 31, 2015, management of Midkiff & Stone had not been notified by the clearing broker-dealer, nor were they otherwise aware, of any potential losses relating to this indemnification.

Note 8 – Related Party Transactions

At March 31, 2015, Midkiff & Stone had the following related party account balances reflected in the statements of operations and cash flows for the year ended March 31, 2015:

Description

Lease expense to shareholder	\$ 7,710
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Midkiff & Stone currently leases office space on a month-to-month basis from its sole shareholder.

Note 9 – Income Taxes

The taxable income was \$282 for year ended March 31, 2015.

Midkiff & Stone is subject to state income tax in Connecticut and California. In Texas, Midkiff & Stone is subject to the Texas margin tax, which is calculated as a percentage of Midkiff & Stone's taxable margin, as defined by law, rather than on net income. There was no state franchise tax due for Texas, however the business entity tax for Connecticut is payable for \$250.

MIDKIFF AND STONE CAPITAL GROUP, INC.
Notes to the Financial Statements
March 31, 2015

Note 10 – Subsequent Events

Midkiff & Stone has evaluated the impact of subsequent events on these financial statements through June 05, 2015.

MIDKIFF AND STONE CAPITAL GROUP, INC
SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE
15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION
As of March 31, 2015

NET CAPITAL

Total stockholder's equity	\$ 36,855
Deduct stockholder's equity not allowable for net capital	
Non-qualified Accounts Receivable	<u>3,676</u>
Total deductions and charges	<u>3,676</u>
 Net capital before haircuts on securities	 33,179
 Haircuts on securities	 <u>(729)</u>
Net Capital	<u><u>\$ 32,450</u></u>
 Aggregate indebtedness	
Accounts payable and other liabilities	<u>13,268</u>
Total aggregate indebtedness	<u><u>\$ 13,268</u></u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required (greater of \$5,000 or 6 2/3% of aggregate indebtedness)	<u><u>\$ 5,000</u></u>
Net capital in excess of minimum requirement	<u><u>\$ 27,450</u></u>
Ratio of aggregate indebtedness to net capital	<u><u>0.41</u></u>

Note: The above computation does not differ from the computation of net capital under Rule 15c3-1 as of March 31, 2015 as reported by Midkiff & Stone Capital Group, Inc. on un-amended Form X-17A-5. Accordingly, no reconciliation is deemed necessary.

The accompanying notes are an integral part of this statement

EXEMPTION REPORT REVIEW
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
of Midkiff & Stone Capital Group, Inc. (MSCG)

I have reviewed management's statements, included in the accompanying Exemption Report, in which (1) Midkiff & Stone Capital Group, Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which MSCG claimed an exemption from 17 C.F.R. §240.15c3-3: (2)(ii) (the "exemption provisions") and (2) MSCG stated that MSCG met the identified exemption provisions throughout the most recent fiscal year without exception. MSCG's management is responsible for compliance with the exemption provisions and its statements.

My review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about MSCG's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.



John B. Evans, II, CPA
Houston, Texas

June 05, 2015

MIDKIFF & STONE
EXEMPTION REPORT
SEC Rule 17a-5(d)(4)

June 4, 2015

To Whom It May Concern:

The below information is designed to meet the Exemption Report criteria pursuant to SEC Rule 17a-5(d)(4):

- Midkiff & Stone is a broker/dealer registered with the SEC and FINRA.
- Midkiff & Stone claimed an exemption under paragraph (k)(2)(ii) of Rule 15c3-3 for the fiscal year ended March 31, 2015
- Midkiff & Stone is exempt from the provisions of Rule 15c3-3 because it meets conditions set forth in paragraph (k)(2)(ii) of the rule, of which, the identity of the specific conditions are as follows:
 - ▶ The provisions of the Customer Protection Rule shall not be applicable to a broker or dealer who, as an introducing broker or dealer, clears all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer, and who promptly transmits all customer funds and securities to the clearing broker or dealer which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements of Rule 17a-3 and Rule 17a-4, as are customarily made and kept by a clearing broker or dealer.
- Midkiff & Stone has met the identified exemption provisions throughout the most recent fiscal year without exception.
- Midkiff & Stone has not recorded any exceptions to the exemption for the fiscal year ended March 31, 2015.

The above statement is true and correct to the best of my and the Firm's knowledge.

Signed:

M. G. Midkiff, III
Mick Midkiff

PRESIDENT

MIDKIFF & STONE CAPITAL GROUP, INC.