

DELTA ADVISORY GROUP, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

DELTA ADVISORY GROUP, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Delta Advisory Group, Inc.

We have audited the accompanying statement of financial condition of Delta Advisory Group, Inc., (a Florida corporation) as of December 31, 2011 and the related statements of operations, changes in stockholder's 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 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 Delta Advisory Group, Inc. as of December 31, 2011, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Computation of Net Capital is presented for purposes of additional analysis and is not a required part of the financial statements. 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 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Winter Park, Florida
February 9, 2012

DELTA ADVISORY GROUP, INC.

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2011

ASSETS

Cash	\$ 32,027
Marketable securities	85
Prepaid expenses	<u>110</u>
TOTAL ASSETS	<u>\$ 32,222</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES

Unearned management fees	<u>\$ 5,725</u>
Total liabilities	5,725

STOCKHOLDER'S EQUITY

Common stock, \$1 par value, 1,000 shares authorized, issued and outstanding	1,000
Additional paid-in capital	34,000
Retained deficit	(8,475)
Unrealized holding loss on marketable securities	<u>(28)</u>
	<u>26,497</u>

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 32,222</u>
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See notes to financial statements.

DELTA ADVISORY GROUP, INC.
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2011

Revenues:

Commissions and management fees	\$ 434,397
Interest and dividends	<u>24</u>

TOTAL REVENUES	<u>434,421</u>
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Expenses:

Overhead and labor allocation	294,600
Consulting fees	129,050
Registration fees	6,458
Professional fees	3,500
Office expense	644
Loss on sale of securities	<u>7</u>

TOTAL EXPENSES	<u>434,259</u>
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NET INCOME	<u><u>\$ 162</u></u>
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See notes to financial statements.

DELTA ADVISORY GROUP, INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

YEAR ENDED DECEMBER 31, 2011

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Unrealized Gain (Loss) on Securities	Total
Balance at January 1, 2011	\$ 1,000	\$ 34,000	\$ (8,637)	\$ 49	\$ 26,412
Net income	-	-	162	-	162
Unrealized loss on securities	-	-	-	(77)	(77)
Balance at December 31, 2011	<u>\$ 1,000</u>	<u>\$ 34,000</u>	<u>\$ (8,475)</u>	<u>\$ (28)</u>	<u>\$ 26,497</u>

See notes to financial statements.

DELTA ADVISORY GROUP, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011

Cash flows from operating activities:	
Net income	\$ 162
Adjustments to reconcile net income to net cash provided by operating activities:	
Loss on sale of securities	7
(Increase) decrease in operating assets:	
Prepaid expenses	290
Increase (decrease) in operating liabilities:	
Unearned management fees	<u>3,593</u>
Net cash provided by operating activities	<u>4,052</u>
Cash flows from investing activities:	
Proceeds from sale of marketable securities	94
Purchase of marketable securities	<u>(11)</u>
Net cash provided by investing activities	<u>83</u>
Net increase in cash	4,135
Cash and cash equivalents at beginning of year	<u>27,892</u>
Cash and cash equivalents at end of year	<u><u>\$ 32,027</u></u>
Supplemental disclosures of cash flow information:	
(1) Cash paid during the year for:	
Interest	\$ -
Income taxes	\$ -
(2) There were no non-cash investing and financing activities for the year ended December 31, 2011.	

See notes to financial statements.

DELTA ADVISORY GROUP, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of operations:

Delta Advisory Group, Inc. (the Company) is a Florida corporation. The Company is an investment advisor registered with the Securities and Exchange Commission and provides money management services to individuals, trusts, corporations and other legal entities in various states.

On December 2, 2009, the Company's Articles of Incorporation were amended to change its name from Delta Advisory Services, Inc. to Delta Advisory Group, Inc.

Basis of accounting:

The Company uses the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash equivalents:

For purposes of reporting cash flow, cash and cash equivalents include money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less.

Marketable securities:

Available-for sale securities are carried in the financial statements at fair value. The fair value for those investments is based on quoted market prices. Unrealized gains and losses are excluded from earnings and reported as a separate component of stockholder's equity. The change in net unrealized gains and losses is reported as comprehensive income. The net unrealized holding loss on marketable securities is \$28 as of December 31, 2011.

Unearned management fees:

The Company receives asset management fees in advance on a quarterly and semiannual basis with 30-day and 90-day cancellation provisions. Management fees are deferred and recognized when they become non-refundable. Management fees received but not recognized as revenue are recorded as unearned.

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 amount 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. Actual results could differ from those estimates.

Date of management evaluation:

Management has evaluated subsequent events through February 9, 2012, the date on which the financial statements were available to be issued.

DELTA ADVISORY GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES, Continued

Income taxes:

The Company accounts for income taxes using the liability method under which deferred tax assets and liabilities are determined based upon the differences between financial statement carrying amounts and the tax bases of existing assets and liabilities. These temporary differences are measured at prevailing enacted tax rates that will be in effect when the differences are settled or realized. The Company has no deferred tax assets or liabilities as of December 31, 2011.

The Company has a net operating loss carryover for 2011. Due to this, it has no income tax expense or liability for the year ended December 31, 2011.

The Company accounts for uncertain tax positions, if any, in accordance with ASC Section 740. In accordance with these professional standards, the Company recognized tax positions only to the extent that management believes it is "more likely than not" that its tax positions will be sustained upon IRS examination. Management believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements for the year ended December 31, 2011.

The Company believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Company's financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2011.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress. The Company believes it is no longer subject to income tax examinations for fiscal years ending prior to December 31, 2008.

The Company's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

NOTE B – FAIR VALUE OF FINANCIAL INSTRUMENTS

Professional standards require disclosure of an estimate of fair value of certain financial instruments. The financial position of the Company at December 31, 2011 includes certain financial instruments that may have a fair value that is different from the value currently reflected in the financial statements. In reviewing the financial instruments of the Company, certain assumptions and methods were used to determine the fair value of each category of financial instruments for which it is practicable to estimate that value.

DELTA ADVISORY GROUP, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – FAIR VALUE OF FINANCIAL INSTRUMENTS, CONTINUED

The carrying amounts of the Company's financial instruments generally approximate their fair values at December 31, 2011.

NOTE C - RELATED PARTY TRANSACTIONS

The Company shares office space and labor with an affiliated corporation. The Company is charged the cost of its direct use of space, labor and other office expenses, plus up to an additional 50%. The Company's allocated share of overhead expenses and charges is \$294,600 for the year ended December 31, 2011.

NOTE D - NET CAPITAL REQUIREMENTS

The Company is subject to the State of Florida net capital requirements, which require the maintenance of minimum net capital in the amount of \$25,000 calculated as prescribed by SEC Rule 15c3-1.

SUPPLEMENTARY INFORMATION

DELTA ADVISORY GROUP, INC.
COMPUTATION OF NET CAPITAL
DECEMBER 31, 2011

Total stockholder's equity	\$ 26,497
Deduct:	
Nonallowable assets:	
Prepaid expenses	<u>110</u>
Net capital before haircuts on securities positions	26,387
Haircuts on securities	<u>(274)</u>
Net capital	<u><u>\$ 26,113</u></u>