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

| SEC FILE NUMBER |
|-----------------|
| 8- 52394 |

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

Xg

REPORT FOR THE PERIOD BEGINNING 01/01/2015 AND ENDING 12/31/2015
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Watkins Financial Services, Inc

| OFFICIAL USE ONLY |
|-------------------|
| FIRM I.D. NO. |

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

Christopher Watkins

801-451-9500

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Neal Hansen

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

510 South 200 West, Suite 200

Salt Lake City

UT

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)

SEC 1410 (06-02)

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[Handwritten signature]

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, Inc, as of December 31, 2015, 2015, 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

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.

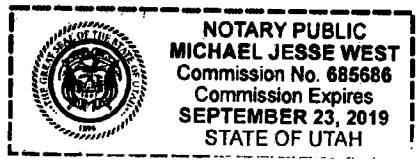
**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

State of Utah
County of Davis

On the 26th day of February 20 16
Personally appeared before me Michael Jesse West

The Signer(s) of the above instrument, who duly acknowledged to me that he/she/they executed the same.

Michael J West
Notary Public





Stayner Bates & Jensen P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

February 26, 2016

To the Audit Committee of
Watkins Financial Services, Inc.

We are engaged to audit the financial statements and supplemental information of Watkins Financial Services, Inc. for the year ended December 31, 2015. As required by professional standards, the objectives of the audit, our responsibilities under standards of the Public Company Accounting Oversight Board, and management's responsibilities have been communicated to you in our engagement letter dated January 5, 2016. Professional standards also require that we communicate with you about the following information related to our audit.

Issues Discussed Prior to Retention of Independent Auditor

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions have occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Overall Audit Strategy, Timing of the Audit, and Significant Risks

Our audit of the financial statements will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our audit will include obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed, but is not designed to provide assurance on internal control sufficient to identify internal control deficiencies. Because our audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, professional standards require us to perform risk assessment procedures that are sufficient to provide a reasonable basis for identifying and assessing the risks of material misstatement, whether due to error or fraud, and designing further audit procedures. We are also required to determine whether any risks we have identified and assessed are significant risks that require special audit attention.

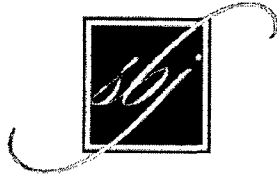
We will provide you on a timely basis significant changes to the planned audit strategy or the significant risks initially identified and the reasons for the changes, and our observations arising from the audit that are significant to the financial reporting process. We will communicate other matters that relate more closely to the results of our audit at or near the conclusion of our audit.

This information is intended solely for the use of the Audit Committee, Board of Directors, and management of Watkins Financial Services, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Stayner, Bates & Jensen, PC

Stayner, Bates & Jensen, P.C.



Stayner Bates & Jensen P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

February 26, 2016

To the Audit Committee of
Watkins Financial Services, Inc.

In connection with our audit of the financial statements and supplemental information of Watkins Financial Services, Inc. for the year ended December 31, 2015 we have issued our report thereon dated February 26, 2016. Professional standards require that we provide you with the following information related to our audit.

Significant and Critical Accounting Policies and Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The Company's significant accounting policies are disclosed in the notes to the financial statements as required by generally accepted accounting principles pursuant to Rule 17a-5 under the Securities and Exchange Act of 1934. No new accounting policies were adopted and the application of existing accounting policies was not changed during 2015. We noted no transactions entered into by the Company during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

Critical accounting policies and practices are those that are both most important to the portrayal of the Company's financial condition and results and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The critical accounting policies used by Watkins Financial Services, Inc. in its 2015 financial statements are described in Note 2 to the financial statements.

Critical Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Critical accounting estimates are estimates for which (1) the nature of the estimate is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change and (2) the impact of the estimate on financial condition or operating performance is material.

Significant Unusual Transactions

For purposes of this letter, professional standards define *significant unusual transactions* as transactions that are outside the normal course of business for the Company or that otherwise appear to be unusual due to their timing, size or nature. We noted no significant unusual transactions during our audit.

Quality of the Company's Financial Reporting

Management is responsible not only for the appropriateness of the accounting policies and practices, but also for the quality of such policies and practices. Our responsibility under professional standards is to evaluate the qualitative aspects of the company's accounting practices, including potential bias in management's judgments about the amounts and disclosures in the financial statements, and to communicate the results of our evaluation and our conclusions to you. Based on our review of the qualitative aspects of the Company's financial reporting the financial statements appear to appropriately represent the financial position of Watkins Financial Services, Inc. as of year end.

Uncorrected and Corrected Misstatements

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial, and to communicate accumulated misstatements to management. The attached schedule summarizes the uncorrected misstatements that we presented to management and the corrected misstatements, other than those that are clearly trivial, that, in our judgment, may not have been detected except through our auditing procedures. In our judgment, none of the misstatements that management has corrected, either

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Mail: P.O. Box 2995 • Salt Lake City, Utah • 84110-2995

individually or in the aggregate, indicate matters that could have a significant effect on the Company's financial reporting process.

Management has determined that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

Exceptions to Exemption Provisions

In connection with our review of the Company's exemption report, we did not identify any exceptions to the exemption provisions that would cause the Company's assertions not to be fairly stated, in all material respects.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no disagreements with management arose during the course of our audit.

Difficulties Encountered in Performing the Audit

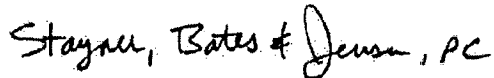
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Supplemental Information

Based on the regulatory requirements of SEC Rule 17a-5, the Company presents supplemental information that accompanies the financial statements. We subjected that supplemental information to audit procedures in accordance with PCAOB Auditing Standard No. 17, *Auditing Supplemental Information Accompanying Audited Financial Statements*. Based on our audit procedures performed, the supplemental information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This information is intended solely for the use of the Audit Committee, Board of Directors, and management of Watkins Financial Services, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Stayner, Bates & Jensen, P.C.
Salt Lake City, UT

January 15, 2016

Stayner Bates & Jensen
510 South 200 West Suite 200
Salt Lake City, Utah 84101

Attention: Neal Hansen, CPA

Re: SEC Rule 17a-5(d)(4) Exemption Report

Dear Mr. Hansen,

Pursuant to the referenced rule, the following information is provided.

Under its membership agreement with FINRA and pursuant to Rule 15c3-3 (k) (2) (ii) the company conducts business on a fully disclosed basis and does not execute or clear securities transactions for customers who carries no margin accounts, promptly transmits all customer funds and delivers all securities received in connection with its activities as a broker or dealer, does not otherwise hold funds or securities for, or owe money or securities to, customers and effectuates all financial transactions between the broker or dealer and its customers through one or more bank accounts, each to be designated as "special Account for the Exclusive Benefit of Customers of Watkins Financial Service, Inc.

Watkins Financial Services met the Section 204, 15c3-3 (k) (2) (ii) exemption for the period January 01, 2015 to December 31, 2015.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris M. Watkins", written over a circular stamp or seal.

Christopher M. Watkins

President

Watkins Financial Services



Stayner Bates & Jensen P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of
of Watkins Financial Services, Inc.
Farmington, Utah

We have reviewed management's statements, included in the accompanying exemption report, in which (1) Watkins Financial Services, Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which Watkins Financial Services, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3: (k)(2)(i) (the "exemption provisions") and (2) Watkins Financial Services, Inc. stated that Watkins Financial Services, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception. Watkins Financial Services, Inc.'s management is responsible for compliance with the exemption provisions and its statements.

Our 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 Watkins Financial Services, Inc.'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, we do not express such an opinion.

Based on our review, we are 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.

Stayner, Bates & Jensen, PC

Stayner, Bates & Jensen, P.C.
Salt Lake City, UT
February 26, 2016

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

ANNUAL AUDIT REPORT

DATE – DECEMBER 31, 2015

WATKINS FINANCIAL SERVICES, INC.

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Stayner Bates & Jensen P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members
of Watkins Financial Services, Inc.
Farmington, Utah

We have audited the accompanying statement of financial condition of Watkins Financial Services, Inc. as of December 31, 2015, and the related statements of income (loss), changes in members' equity, and cash flows for the year then ended. These financial statements are the responsibility of Watkins Financial Services, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board 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 condition of Watkins Financial Services, Inc. as of December 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, including Schedule I, Computation of Net Capital Pursuant to Rule 15c3-1, Schedule II, Computation for Determination of Reserve Requirements Under Rule 15c3-3 (exemption), and Schedule III, Information Relating to Possession or Control Requirements Under Rule 15c3-3 (exemption) have been subjected to audit procedures performed in conjunction with the audit of Watkins Financial Services, Inc.'s financial statements. The supplemental information is the responsibility of Watkins Financial Services, Inc.'s management. Our 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 our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Stayner, Bates & Jensen, PC

Stayner, Bates & Jensen, P.C.
Salt Lake City, UT 84101
February 26, 2016

Watkins Financial Services, Inc.

Balance Sheet

December 31, 2015

ASSETS

Current Assets:

| | | |
|----------------------------|----|---------------|
| Cash | \$ | 15,052 |
| Receivables from customers | | <u>10,428</u> |
| Total Current Assets | | <u>25,480</u> |
| Total Assets | \$ | <u>25,480</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

| | | |
|---|----|---------------|
| Accounts payable | \$ | <u>609</u> |
| Total Current Liabilities | | 609 |
| Subordinated debt to stockholder (Note 4) | | <u>10,000</u> |
| Total Liabilities | | <u>10,609</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 deficit | | <u>(14,129)</u> |
| Total Stockholders' Equity | | <u>14,871</u> |
| Total Liabilities and Stockholders' Equity | \$ | <u>25,480</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, 2015

| | | |
|----------------------------------|----|----------------|
| Revenues - commissions | \$ | <u>274,417</u> |
| Expenses | | |
| Officer concessions | | 230,000 |
| Other general and administrative | | <u>52,574</u> |
| Total Expenses | | <u>282,574</u> |
| Net Loss | \$ | <u>(8,157)</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, 2015

| | Common Stock | | Additional Paid-In Capital | Retained Deficit | Total |
|-------------------------------|--------------|--------|----------------------------------|---------------------|-----------|
| | Shares | Amount | | | |
| Balance, January 1, 2015 | 1,000 | \$ 100 | \$ 28,900 | \$ (5,972) | \$ 23,028 |
| Net loss | - | - | - | (8,157) | (8,157) |
| Balance, December 31, 2015 | 1,000 | \$ 100 | \$ 28,900 | \$ (14,129) | \$ 14,871 |

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, 2015

| | | |
|--|----|---------------|
| 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, 2015

Cash Flows From Operating Activities:

| | | |
|---|----|---------|
| Net loss | \$ | (8,157) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation expense | | 636 |
| Change in assets and liabilities: | | |
| Accounts receivable | | 9,858 |
| Accounts payable | | (295) |
| | | <hr/> |
| Net Cash Provided by Operating Activities | | 2,042 |

Cash Flows From Investing Activities:

-

Cash Flows From Financing Activities:

-

Net increase in cash

2,042

Cash, beginning of year

13,010

Cash, end of year

\$ 15,052

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, 2015

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.

The Company's Forms 1120S are subject to examination by the IRS and state tax agencies, generally for three years after they are filed. Generally accepted accounting principles require tax effects from an uncertain tax position to be recognized in the financial statement only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more likely than not threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded. Management has evaluated the tax positions reflected in the Company's tax filings and does not believe that any material uncertain tax positions exist.

Watkins Financial Services, Inc.
Notes to the Financial Statements
December 31, 2015

2. Summary of Significant Accounting Policies (Continued)

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.

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, 2015.

Advertising

The Company follows the policy of charging the cost of advertising to expense as incurred. Advertising expense was \$0 for the year ended December 31, 2015.

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, 2015.

Watkins Financial Services, Inc.
Notes to the Financial Statements
December 31, 2015

2. Summary of Significant Accounting Policies (Continued)

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, 2015.

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, 2015, the Company did not have any amount in excess of the FDIC coverage.

Impact of new accounting pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue From Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU 2014-09 will be effective for the Company's year ending December 30, 2018 using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined with ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Company has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on its financial statements.

3. Property and Equipment

The Company disposed of all property and equipment during the year ended December 31, 2015. Depreciation expense on property and equipment was \$636 for the year ended December 31, 2015, prior to its disposal.

Watkins Financial Services, Inc.
Notes to the Financial Statements
December 31, 2015

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 \$171,650, or 63% of its revenue, from these individuals and entities for the year ended December 31, 2015.

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, 2015 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, 2015, the Company had net capital of \$24,871, which was \$19,871 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, 2015 because the Company's SIPC Net Operating Revenues are under \$500,000.

Watkins Financial Services, Inc.
Notes to the Financial Statements
December 31, 2015

9. Subsequent Events

The Company has evaluated subsequent events through February 26, 2016, 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, 2015.

Watkins Financial Services, Inc.
Computation of Net Capital Under Rule 15c3-1 of the
Securities and Exchange Commission
December 31, 2015

COMPUTATION OF NET CAPITAL

| | |
|---|------------------|
| Total ownership equity from statement of financial condition | \$ 14,871 |
| Add: Subordinated borrowing allowable in computation of net capital | 10,000 |
| Less: Non-allowable assets | <u>-</u> |
| NET CAPITAL | <u>\$ 24,871</u> |

COMPUTATION OF NET CAPITAL REQUIREMENTS

| | |
|--|------------------|
| Minimum net aggregate indebtedness - 6-2/3% of net aggregate indebtedness | <u>\$ 41</u> |
| Minimum dollar net capital required | <u>\$ 5,000</u> |
| Net Capital required (greater of above amounts) | <u>\$ 5,000</u> |
| EXCESS CAPITAL | <u>\$ 19,871</u> |

| | |
|---|------------------|
| Excess net capital at 1000% (net capital less 10% of aggregate indebtedness) | <u>\$ 24,810</u> |
|---|------------------|

COMPUTATION OF AGGREGATE INDEBTEDNESS

| | |
|---|---------------|
| Total liabilities net of deferred income taxes payable and deferred income | <u>\$ 609</u> |
| Percentage of aggregate indebtedness to net capital | 2% |

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 | \$ 24,871 |
| Audit Adjustments | <u>-</u> |
| NET CAPITAL PER AUDIT REPORT | <u>\$ 24,871</u> |

Watkins Financial Services, Inc.
Computation for Determination of Reserve Requirements Under Rule 15c3-3
(exemption)
December 31, 2015

A computation of reserve requirement is not applicable to Watkins Financial Service, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k) (2) (ii).

Watkins Financial Services, Inc.
Information Relating to Possession or Control Requirements Under Rule 15c3-3
(exemption)
December 31, 2015

Information relating to possession or control requirements is not applicable to Watkins Financial Services, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k) (2) (ii).