

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

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

OMB APPROVAL	
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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 01/01/18 AND ENDING 12/31/18  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: KR SECURITIES, LLC

OFFICIAL USE ONLY

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

FIRM I.D. NO.

600 PRETTY BROOK ROAD

(No. and Street)

PRINCETON

NEW JERSEY

08540

(City)

(State)

(Zip Code)

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

WALTER ALAN GILMORE

609-924-2500

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

ADEPTUS PARTNERS LLC

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

6 EAST 45th STREET 9th FLOOR NEW YORK

NY

10017

(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)


## OATH OR AFFIRMATION

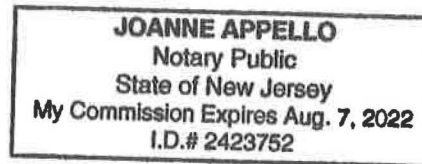
I, WALTER ALAN GILMORE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of KR SECURITIES, LLC, as of DECEMBER 31, 20 18, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

  
Signature

CHIEF COMPLIANCE OFFICER / FIN OP

Title

  
Notary Public



This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- ☒ (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).**

**KR SECURITIES, LLC**

**Financial Statements and  
Supplementary Information**

**For the Year Ended December 31, 2018**

**(With Report of Independent Registered Public Accounting Firm Thereon)**

**These financial statements and schedules  
should be deemed confidential pursuant to  
Subparagraph (e) (3) of Rule 17a-5**

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Adeptus

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Member  
of KR Securities, LLC

### **Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of KR Securities, LLC as of December 31, 2018, the related statements of operations, changes in member's equity, and cash flows for the year then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of KR Securities, LLC as of December 31, 2018, 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.

### **Basis for Opinion**

These financial statements are the responsibility of KR Securities, LLC's management. Our responsibility is to express an opinion on KR Securities, LLC's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to KR Securities, LLC in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **Supplemental Information**

The schedule I, Computation of Net Capital Under SEC Rule 15c3-1 and schedule II, Computation for Determination of Reserve Requirements Under SEC Rule 15c3-3, (collectively the "Schedules") have been subjected to audit procedures performed in conjunction with the audit of KR Securities, LLC's financial statements. The supplemental information is the responsibility of KR Securities, LLC'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 schedules, are fairly stated, in all material respects, in relation to the financial statements as a whole.

We have served as KR Securities, LLC's auditor since 2018.

*Ad3ptus Partners, LLC*

New York, New York  
February 26, 2019

**KR Securities, LLC**

**STATEMENT OF FINANCIAL CONDITION**

**December 31, 2018**

ASSETS

Cash and cash equivalents	\$ 57,550
Receivable from brokers and dealers	<u>59,001</u>
Total assets	<u>\$ 116,551</u>

MEMBER'S EQUITY

Member's equity	<u>116,551</u>
Total member's equity	<u>\$ 116,551</u>

See accompanying notes to financial statements.

**KR Securities, LLC**

**STATEMENT OF OPERATIONS**

For the Year Ended December 31, 2018

Revenue	
Commissions	\$ 34,152
Principal transactions	22,050
Interest income	5,065
Distribution service fee	<u>4,077</u>
Total revenues	<u>65,344</u>
Expenses	
Allocated administrative expenses	20,000
Clearance and commission fees	60,001
Insurance expense	1,622
Dues and subscriptions	8,785
Other operating expense	<u>300</u>
Total expenses	<u>90,708</u>
Net loss	<u>\$ (25,364)</u>

See accompanying notes to financial statements



**KR Securities, LLC**

**STATEMENT OF CHANGES IN MEMBER'S EQUITY**

**For the Year Ended December 31, 2018**

Member's equity, beginning of year	\$ 141,915
Net loss	(25,364)
Member's equity, end of year	<u>\$ 116,551</u>

See accompanying notes to financial statements

**KR Securities, LLC**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2018**

Cash flows from operating activities	
Net loss	\$ (25,364)
Adjustments to reconcile net loss to net cash used in operating activities	
Changes in operating assets:	
Receivable from brokers and dealers	<u>19,651</u>
 Net cash used in operating activities	 <u>(5,713)</u>
 Net decrease in cash and cash equivalents	 <u>(5,713)</u>
 Cash and cash equivalents - beginning of year	 <u>63,263</u>
 Cash and cash equivalents - end of year	 <u>\$ 57,550</u>

See accompanying notes to financial statements

## **KR Securities, LLC**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2018

#### **NOTE 1 – SUMMARY OF ACCOUNTING POLICIES**

##### Organization

KR Securities, LLC (the “Company”) is a single-member Delaware limited liability company. The Company is a wholly-owned subsidiary of Krieger, Ruderman & Co., LLC (the “Parent” or “Member”).

The Company is registered with the Securities and Exchange Commission as a broker-dealer and is a member of Financial Industry Regulatory Authority.

The Company does not carry customers’ accounts and does not receive, deliver or hold cash or securities in connection with such transactions. The Company has a clearing agreement with RBC Correspondent Clearing Services (“RBC”) whereby RBC clears transactions for the Company’s customers and carries the accounts of such customers on a fully disclosed basis as customers of RBC. Accordingly, customer open transactions are not reflected on the accompanying statement of financial condition. The Company is exposed to credit losses on these open transactions in the event of nonperformance by its customers. This exposure is reduced by the Company’s policy of obtaining and maintaining adequate collateral until open transactions are completed.

##### Basis of Accounting

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”)

##### Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### Securities Transactions

Transactions in securities are recorded on the trade date. Securities owned and securities sold, but not yet purchased are recorded at market value on a trade-date basis. Securities sold, but not yet purchased are subject to market fluctuations which may require purchasing the securities at prices which may differ from the market value reflected on the statement of financial condition.

##### Commissions

Commission revenues and related expenses from customer transactions are recorded on the trade date. When acting as broker or dealer, the Company will be entitled to receive brokerage commissions, mark-ups or mark-downs.

**KR Securities, LLC**

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2018

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)**

Cash and cash equivalents

Cash and cash equivalents include cash and short-term money market instruments with original maturity dates of three months or less.

Concentration of credit risk

The Company maintains its cash balances with quality financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution.

Income Taxes

The Company is a single-member limited liability company. The taxable income or loss of the Company is allocated to and included in the tax returns of the individual members of the Parent. The Company may be subject to state and local taxes in certain jurisdictions in which they operate.

Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustments to the financial statements.

Fair Value Measurement

In August 2018, the FASB issued FASB ASU 2018-13, Fair Value Measurement (Topic 820: Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 removes or modifies certain current disclosures, and adds additional disclosures. The changes are meant to provide more relevant information regarding valuation techniques and inputs used to arrive at measures of fair value, uncertainty in the fair value measurements, and how changes in fair value measurements impact an entity's performance and cash flows. Certain disclosures in ASU 2018-13 will need to be applied on a retrospective basis and others on a prospective basis. Early adoption is permitted. The Company expects to adopt the provisions of this guidance on January 1, 2020, and is currently evaluating the impact ASU 2018-13 will have on its related disclosures.

**NOTE 2 – REVENUE RECOGNITION**

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers: Topic 606, to supersede nearly all existing revenue recognition guidance under GAAP. ASU 2014-09 also requires new qualitative and quantitative disclosures, including disaggregation of revenue and description of performance obligations. The Company adopted the provisions of this guidance on January 1, 2018 using the modified retrospective approach. The Company has performed an assessment of its revenue

## KR Securities, LLC

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2018

#### NOTE 2 – REVENUE RECOGNITION (continued)

contracts and has not identified any material changes to the timing or amount of its revenue recognition under ASU 2014-09. The Company's accounting policies did not change materially as a result of applying the principles of revenue recognition from ASU 2014-09 and are largely consistent with existing guidance and current practices applied by the Company.

On January 1, 2018, the Company adopted ASC Topic 606, Revenue from Contracts with Customers ("Topic 606") using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for the reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

There was no impact to member's equity as of January 1, 2018, or to revenue for the year ended December 31, 2018, after adopting Topic 606, as revenue recognition and timing of revenue did not change as a result of implementing Topic 606.

#### Revenue Recognition

Revenues are recognized when control of the promised services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. Revenues are analyzed to determine whether the Company is the principal (i.e., reports revenues on a gross basis) or agent (i.e., reports revenues on a net basis) in the contract. Principal or agent designations depend primarily on the control an entity has over the product or service before control is transferred to a customer. The indicators of which party exercises control include primary responsibility over performance obligations, risk before the good or services is transferred and discretion in establishing the price.

#### Commission Revenue

Commission revenue represents sales commission generated by advisors for their clients' purchases and sales of securities on exchanges and over-the-counter, as well as purchases of other investment products. The Company views the selling, distribution and marketing, or any combination thereof, of investment products to such clients as a single performance obligation to the product sponsors. The Company believes that the performance obligation is satisfied on the trade date because that is when the underlying financial instrument or purchase is identified, the pricing is agreed upon and the risks and rewards of ownership have been transferred to/from the customer.

**KR Securities, LLC**

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2018

**NOTE 2 – REVENUE RECOGNITION (continued)**

The Company is the principal for commission revenue, as it is responsible for the execution of clients' purchase and sales, and maintains relationships with the product sponsors. The advisors, if any, assist the Company in performing its obligations. Accordingly, total commission revenues are reported on a gross basis.

The following table presents our total commission revenue disaggregated by investment product category:

	<u>Year ended December 31, 2018</u>
Equities	<u>\$34,152</u>

The Company generates sales-based commission revenue that is recognized at the point of sale on the trade date. Sales based commissions revenue varies by investment product and is a set amount based on the number of shares or based off the standard commission policy.

The following table presents our total principal transaction revenues disaggregated by investment product category:

	<u>Year ended December 31, 2018</u>
Municipal Bonds	<u>\$22,050</u>

The Company generates principal transaction revenues by entering into a riskless principal transaction with its clients. Principal transaction revenues vary by supply and demand, interest rates, coupon, maturities and credit quality.

**NOTE 3 - RELATED PARTY TRANSACTION**

The expenses associated with management of the Company and certain other administrative expenses are allocated by the Parent to the Company pursuant to an expense allocation agreement. Accordingly, the results of operations are not necessarily indicative of those results had the Company been a stand-alone entity. For the year ended December 31, 2018, the Company was allocated administrative expenses of \$20,000 from the Parent.

**KR Securities, LLC**

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 2018

**NOTE 4 - NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2018, the Company had net capital of \$111,551, which was \$106,551 in excess of its required net capital of \$5,000. The Company's net capital ratio was 0 to 1. The Company is exempt for Rule 15c3-3 of the Securities and Exchange Commission pursuant to the provision of subparagraph (k)(2)(ii) thereof.

Proprietary accounts held at the clearing broker ("PAIB Assets") are considered allowable assets in the computation of net capital pursuant to an agreement between the Company and the clearing broker, which requires, among other things, for the clearing broker to perform a computation of PAIB Assets similar to the customer reserve computation set forth in SEC rule 15c3-3.

**NOTE 5 - PROFIT SHARING PLAN**

The Company has a nonqualified employee profit sharing plan, which provides for contributions at the discretion of management. Employees become vested over a six-year period. The Company did not make any contributions for the year ended December 31, 2018.

## **SUPPLEMENTARY INFORMATION**



**KR Securities, LLC**

**SCHEDULE I - COMPUTATION OF NET CAPITAL PURSUANT TO  
RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION**

December 31, 2018

Net capital	
Member's equity	\$ 116,551
Deductions and/or charges	
Nonallowable assets	
Other deductions	<u>5,000</u>
Net capital before haircuts on securities position	111,551
Haircuts on securities positions	<u>0</u>
Net capital	<u>\$111,551</u>
Aggregate indebtedness	\$ 0
Aggregate indebtedness to net capital ratio	0 to 1
Computation of basic net capital requirement	
Minimum net capital required (greater of 6-2/3% of aggregate indebtedness or \$5,000)	<u>5,000</u>
Net capital in excess of requirement	<u>\$ 106,551</u>

There are no material differences between the preceding computation and the Company's corresponding unaudited part II of Form X-17A-5 as of December 31, 2018.

See Report of Independent Registered Public Accounting Firm

**KR Securities, LLC**

**SCHEDULE II - COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
PURSUANT TO RULE 15c3-3 AND INFORMATION RELATING TO THE POSSESSION OR  
CONTROL REQUIREMENTS UNDER RULE 15c3-3**

December 31, 2018

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(ii) of that Rule.

See Report of Independent Registered Public Accounting Firm



Adeptus

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON THE EXEMPTION REPORT

To the Member  
of KR Securities, LLC

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) KR Securities, LLC identified the following provisions of 17 C.F.R. §15c3-3(k) under which KR Securities, LLC claimed an exemption from 17 C.F.R. §240.15c3-3: (2)(ii) (exemption provisions) and (2) KR Securities, LLC stated that KR Securities, LLC met the identified exemption provisions throughout the most recent fiscal year without exception. KR Securities, LLC'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 KR Securities, LLC'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.

*Adeptus Partners, LLC*

New York, New York  
February 26, 2019

**KR Securities, LLC**

Exemption Report

December 31, 2018

KR Securities, LLC claims an exemption from Rule 240.15c3-3 based on provision (k) (2) (ii) of the Rule. All of KR Securities, LLC customer transactions are cleared through another broker-dealer on a fully disclosed basis.

KR Securities, LLC met the terms of the identified exemption throughout its most recent fiscal year (December 31, 2018) without exception.

I, Richard A Ruderman, swear (or affirm) that the aforementioned statements are true.



Richard A. Ruderman  
President and Chief Operating Officer  
KR Securities, LLC