

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

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

SEC FILE NUMBER
8- 3368

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 01/01/2020 AND ENDING 12/31/2020
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **ARTHUR W. WOOD COMPANY, INC.**

OFFICIAL USE ONLY

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

FIRM I.D. NO.

50 CONGRESS STREET, SUITE 700

(No. and Street)

BOSTON

MASSACHUSETTS

02109

(City)

(State)

(Zip Code)

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

KRISTIN H KENNEDY

(617)542-0500

(Area Code – Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

OHAB AND COMPANY, PA

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

100 E SYBELIA AVENUE, SUITE 130

MAITLAND

FLORIDA

32751

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:



Certified Public Accountant



Public Accountant



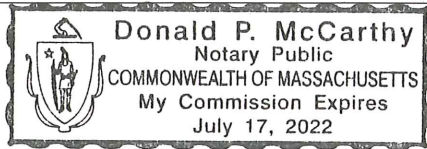
Accountant not resident in United States or any of its possessions.

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, KRISTIN H. KENNEDY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ARTHUR W. WOOD COMPANY, INC., as of DECEMBER 31, 2020, 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:



Kristin H. Kennedy
Signature

PRESIDENT

Title

Donald P. McCarthy
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).

ARTHUR W. WOOD COMPANY, INC. AND SUBSIDIARY

FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2020



ohab and Company, P.A.

100 E. Sybelia Ave. Suite 130
Maitland, FL 32751

Certified Public Accountants
Email: pam@ohabco.com

Telephone 407-740-7311
Fax 407-740-6441

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder's
of Arthur W. Wood Company, Inc. and Subsidiary

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Arthur W. Wood Company, Inc. and Subsidiary as of December 31, 2020, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of Arthur W. Wood Company, Inc. and Subsidiary as of December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This financial statement is the responsibility of Arthur W. Wood Company, Inc. and Subsidiary's management. Our responsibility is to express an opinion on Arthur W. Wood Company, Inc. and Subsidiary's financial statement 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 Arthur W. Wood Company, Inc. and Subsidiary 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 statement is 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 statement, 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.

Ohab and Company, P.A.

We have served as Arthur W. Wood Company, Inc. and Subsidiary's auditor since 2016.

Maitland, Florida

March 24, 2021

ARTHUR W. WOOD COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

December 31, 2020

ASSETS

ASSETS

Cash and cash equivalents	\$	153,792
Deposit in clearing organization		50,254
Receivable from clearing organization		73,076
Securities owned, at fair value		21,498
Furniture and office equipment, net of accumulated depreciation of \$ 16,173		0
Right-of-use assets		149,198
Deferred income tax credit		89,884
Other assets		34,022
TOTAL ASSETS	\$	<u><u>571,724</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES

Lease liability	\$	149,198
Accounts payable and accrued expenses		16,131
Subordinated borrowings		<u>150,000</u>
TOTAL LIABILITIES	\$	<u><u>315,329</u></u>

STOCKHOLDERS' EQUITY

Common stock, \$ 5 par value; 20,000 shares authorized, 3,272 issued and outstanding		100,000
Additional paid-in capital		2,008,762
Retained earnings (deficit)		<u>(1,852,367)</u>
TOTAL STOCKHOLDER'S EQUITY	\$	<u><u>256,395</u></u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$	<u><u>571,724</u></u>

The accompanying notes are an integral part of these financial statements.

ARTHUR W. WOOD COMPANY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENT
December 31, 2020

1. Organization and Nature of Business

The Company was incorporated under the Laws of the Commonwealth of Massachusetts and commenced operations on March 8, 1915. The Company's main office is located in Boston, Massachusetts with a branch office in Meriden, Connecticut.

The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA). The Company is engaged in the transacting of securities for its customers. The Company introduces these transactions for execution and clearance services primarily to Raymond James & Associates, a New York Stock Exchange member firm, on a fully-disclosed basis. The Company also provides institutional research services.

2. Summary of Significant Accounting Policies

Basis of Presentation –

The consolidated financial statement includes accounts of the Company and its wholly-owned subsidiary, A. W. Wood Insurance Agency, Inc. The Company operates as a securities broker dealer which includes securities transactions, institutional research and investment advisory services. All intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents –

The Company considers all time deposits held in banks with initial terms of maturity at three months or less to be cash equivalents for the purposes of the statement of financial condition. Cash and securities segregated under Federal and other regulations are not treated as cash or cash equivalents.

Revenue Recognition –

Significant Judgments

Revenue from contracts with customers include asset management fees and fee-in-lieu of commissions. The recognition and measurement of revenue is based on the assessment of individual contract terms. Significant judgment is required to determine whether performance obligations are satisfied at a point in time or over time; how to allocate transaction prices where multiple performance obligations are identified; when to recognize revenue based on the appropriate measure of the Company's progress under the contract; whether revenue should be presented gross or net of certain costs; and whether constraints on variable consideration should be applied due to uncertain future events.

Commissions

Brokerage Commissions – The Company enters orders through its clearing agent to buy and sell securities on behalf of its customers. Each time a customer enters into a buy or sell transaction, the Company charges a commission. Commissions and related clearing expenses are recorded on the trade date (the date that the Company's clearing firm fills the trade order by finding and contracting with a counterparty and confirms the trade with the customer). The Company believes that the performance obligation is satisfied on the trade date because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon and the risks and rewards of ownership of the securities have been transferred to/from the customer.

ARTHUR W. WOOD COMPANY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENT
December 31, 2020

2. Summary of Significant Accounting Policies (cont.)

Distribution Fees – The Company enters into arrangements with managed accounts or other pooled investment vehicles (funds) to distribute shares to investors. The Company may receive distribution fees paid by the fund up front, over time, upon the investor's exit from the fund (that is, a contingent deferred sales charge), or as a combination thereof. The Company believes that its performance obligation is the sale of securities to investors and as such this is fulfilled on the trade date. Any fixed amounts are recognized on the trade date and variable amounts are recognized to the extent it is probable that a significant revenue reversal will not occur once the uncertainty is resolved. For variable amounts, as the uncertainty is dependent on the value of the shares at future point in time as well as the length of time the investor remains in the fund, both of which are highly susceptible to factors outside the Company's influence, the Company does not believe that it can overcome this constraint until the market value of the fund and the investor activities are known, which are usually monthly or quarterly. Distribution fees recognized in the current period are primarily related to performance obligations that have been satisfied in prior periods.

Asset Management

Investment Advisory Fees – The Company provides investment advisory services on a daily basis. The Company believes the performance obligation for providing advisory services is satisfied over time because the customer is receiving and consuming the benefits as they are provided by the Company. Fee arrangements are based on a percentage applied to the customer's assets under management. Fees are received monthly or quarterly and are recognized as revenue at the time as they relate specifically to the services provided in that period.

Fair Value of Financial Instruments - The financial instruments of the Company are reported in the consolidated statement of financial condition at fair values, or at carryings amounts that approximate fair values.

Property, Equipment and Depreciation - Furniture and office equipment are stated at cost. Depreciation is computed using the straight-line method for financial reporting purposes over the useful lives of related assets, generally 3 to 10 years, and accelerated cost recovery method for income tax purposes. Depreciation expense for the year was \$0.

Income Taxes - The Company and its subsidiary are included in a consolidated federal income tax return. The amount of current and deferred income taxes payable or refundable is recognized as of the date of the financial statements, utilizing the currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax assets and liabilities between years.

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 at the date of the financial statements and the reported amount of revenues and expenses during the reporting period.

3. Clearing Organization

The Company has an agreement with Raymond James & Associates (Raymond James) to clear transactions on a fully disclosed basis for accounts of the Company and its' customers which are introduced by the Company

ARTHUR W. WOOD COMPANY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENT
December 31, 2020

3. Clearing Organization (cont.)

and accepted by Raymond James. Raymond James maintains stock and other records on a basis consistent with generally accepted practices in the securities industry and maintains copies of such records in accordance with the FINRA and SEC guidelines for record retention. Raymond James is responsible for the safeguarding of all funds and securities delivered to and accepted by it. Raymond James prepares and sends to customers monthly and/or quarterly statements of account. The Company does not generate and/or prepare monthly statements, billings or compilations regarding any client account. The Company examines monthly statements of its own account(s), monthly statements of clearing services and other reports provided by Raymond James and notifies Raymond James of any error. Raymond James charges the Company for clearing services. Raymond James also collects all commissions and fees on behalf of the Company and makes payments to the Company for its share of commissions and fees. This agreement can be terminated, between the two parties, with 30 days prior written notice to the other party.

4. Property and Equipment

Furniture and equipment are summarized as follows:

Furniture and Office equipment	\$16,173
Less accumulated depreciation	<u>(16,173)</u>
Net Property and equipment	<u>\$ -0-</u>

Total depreciation expense was \$0 for the year ended December 31, 2020.

5. Fair Value Measurement

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring value. The framework provides a value hierarchy that prioritizes the input to valuation techniques used to measure value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset occurs in the principal market or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 - inputs unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 - inputs are inputs (other than quoted prices included within level1) that are observable for the asset either directly or indirectly

Level 3 - are unobservable inputs and rely on managements own assumptions about the assumptions that market participants would use in pricing the asset.

ARTHUR W. WOOD COMPANY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENT
December 31, 2020

5. Fair Value Measurement (cont.)

The following table sets forth by level, within the fair value hierarchy, the fair value as of December 31, 2020.

Level 1	Level 2	Level 3	Securities – not readily marketable
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 21,498</u>

6. Lease Commitments

In February 2016, the FASB issued ASU 2016-02 Leases – (Topic 842). ASU 2016-02 requires the recognition of lease assets and lease liabilities on the balance sheet related to the rights and obligations created by lease agreements, including those leases classified as operating leases under previous GAAP, along with disclosure of key information about lease agreements.

The Company has elected not to apply the recognition requirements of Topic 842 related to its office lease in Meriden, Connecticut, which has a month to month lease and instead has elected to recognize the lease payments as least costs on a straight line basis over the lease term. The lease cost related to this office space is approximately \$24,000 for the year ended December 31, 2020. Future operating lease costs are \$-0- in 2021.

The Company has obligations as a lessee for office space in Boston, Massachusetts with initial non-cancelable terms in excess of one year. The Company classifies these leases as operating leases. These leases may contain renewal options for periods ranging from one to five years. Because the Company is not reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments. The Company's leases do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments plus, for some of the Company's leases, variable payments. The Company's office space lease requires it to make variable payments for the Company's proportionate share of building's property taxes and common area maintenance. These variable lease payments are not included in lease payment used to determine lease liability and are recognized as occupancy costs when incurred.

The office space is under lease in Boston to May 2022. Annual rent expense is approximately \$ 118,000. A schedule of future minimum non-cancelable office lease payments is as follows:

For the years ended December 31,

2021	118,000
2022	49,000

Amounts reported in the balance sheet as of December 31, 2020 for leases were as follows:

Operating lease ROU assets	\$ 149,198
Operating lease liabilities	\$ 149,198
Remaining lease term	17 months
Discount rate	12%

ARTHUR W. WOOD COMPANY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENT
December 31, 2020

7. Affiliate

The Company is the sole owner of a subsidiary, "A. W Wood Insurance Agency, Inc.", which is licensed by certain states to sell certain insurance products. All revenues and expenses are reflected in the operations of Arthur W. Wood Company, Inc.

8. Income Taxes

The Company and its subsidiary file a consolidated federal income tax return and separate Massachusetts and Connecticut income tax returns. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred tax benefits or expenses. Deferred taxes are provided for the expected future benefits of net operating loss carryforwards. Deferred tax assets are determined using the tax rates to be enacted when the asset or liability is realized. Deferred tax expense or benefit is the result of changes in the deferred tax assets and liabilities.

As of December 31, 2020, the Company has loss carryforwards of approximately \$2,322,000 for federal income tax purposes. Losses incurred prior to December 31, 2017 are limited to a 20 year carryforward. Losses incurred after 2017 may be carried forward indefinitely. Losses available to offset future state taxable income are approximately \$1,686,000. The loss is available to offset taxable income of future periods and expiring as follows for the years ending December 31:

	Federal		State
2024	\$ 54,000	2030	\$ 17,000
2025	78,000	2031	32,000
2026	27,000	2032	33,000
2027	38,000	2033	14,000
2029	228,000	2034	8,000
2030	19,000	2035	15,000
2031	42,000	2036	750,000
2032	42,000	2037	552,000
2033	16,000	2038	80,000
2034	13,000	2039	70,000
2035	16,000	2040	115,000
2036	806,000		
2037	670,000		
Indefinite	273,000		

The provision for (benefit of) income taxes for the year ended December 31, 2020 consist of the following:

Current:

Federal	\$ -0-
State	<u>2,501</u>
Total Current	<u>\$ 2,501</u>

ARTHUR W. WOOD COMPANY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENT
December 31, 2019

8. Income Taxes (continued)

State income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related to differences between the financial and income tax bases of assets and liabilities. The deferred tax assets and liabilities, if any, represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Management does not believe the Company has any uncertain tax positions that would require recognition or disclosure in the financial statements for the year ended December 31, 2020. The U S Federal income tax returns prior to 2017 are closed. US State jurisdictions have statutes of limitations that generally range from three to five years. The tax returns are currently not under examination in any US Federal or state jurisdiction.

9. 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 and requires that a ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2020, the Company had net capital of \$260,991 which was \$255,991 in excess of its required net capital of \$5,000. The Company's net capital ratio (aggregate indebtedness to net capital) was 0.06 to 1.

10. Cash Segregated Under Federal and Other Regulations

The Company is exempt from establishing segregated reserve bank accounts for the benefit of customers by Paragraph (k)(2)(ii) of Rule 15c3-3 of the Securities Exchange Act of 1934, as all transactions are cleared through Raymond James & Associates, a clearing agent, on a fully disclosed basis.

11. Subordinated Note

Subordinated note payable of \$150,000, interest payable monthly at 12% per annum, all principal due September 22, 2021. Available in computing net capital under the SEC uniform capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

The fair value of subordinated notes is \$150,000.

12. SBA - PPP Loan

On May 4, 2020, the Company was granted a loan in the amount of \$198,746 pursuant to the Paycheck Protection Program "PPP" under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan which was in the form of a Note dated May 4, 2020 was scheduled to mature May 4, 2022 and bore interest at a rate of 1% per annum for any unforgivable portion. The Company met the forgiveness criteria and documentation requirements under 1106 of the CARES Act and on December 16, 2020 the Company applied for and was forgiven the entire amount based on the use of the proceeds for purposes consistent with the PPP.

ARTHUR W. WOOD COMPANY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENT
December 31, 2020

13. Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company's Clearing Broker extends credit to the customer, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customer's account. As a result of guaranteeing customer margin balances carried by the Clearing Broker, the Company may be exposed to off-balance sheet risk in the event margin requirements are not sufficient to fully cover losses the customer may incur. At December 31, 2020, margin accounts guaranteed by the Company were not material.

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company's Clearing Broker extends credit to the customer, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customer's account. As a result of guaranteeing customer margin balances carried by the Clearing Broker, the Company may be exposed to off-balance sheet risk in the event margin requirements are not sufficient to fully cover losses the customer may incur. At December 31, 2020, margin accounts guaranteed by the Company were not material.

The Company is also exposed to off-balance sheet risk of loss on transactions during the period from the trade date to the settlement date, which is generally two business days. If the customer fails to satisfy its contractual obligations to the Clearing Broker, the Company may have to purchase or sell financial instruments at prevailing market prices in order to fulfill the customer's obligations. Settlement of these transactions is not expected to have a material effect on the Company's financial position. The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and the Clearing Broker's guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requires customers to deposit additional collateral, or reduce positions, when necessary.

The Company may maintain cash and other deposits with banks and brokers, and, at times, such deposits may exceed applicable insurance limits. The Company reduces its exposure to credit risk by maintaining such deposits with high quality financial institutions.

14. Commitments and Contingencies

The Company has no commitments or contingencies except as noted in Note 6.

15. Company Conditions

The Company has an income of approximately \$93,000 for the year ending December 31, 2020 and has also received capital contributions from a stockholder for added working capital. The Company's stockholder has represented that he intends to continue making capital contributions, as needed, to ensure the Company's continuing operations.

Management expects the Company to continue as a going concern and the accompanying financial statements have been prepared on a going concern basis without adjustments for realization in the event the Company ceases to continue as a going concern.

ARTHUR W. WOOD COMPANY, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENT
December 31, 2020

16. Subsequent Evaluation

Subsequent events and transactions were evaluated through the date the financial statements were available to be issued. The Company has determined there are no subsequent events or transactions that require disclosure.