

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
8-52180

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 01/01/2019 AND ENDING 03/31/2020
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **Detalus Securities, LLC**

OFFICIAL USE ONLY

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

FIRM I.D. NO.

383 Marshall Ave.

(No. and Street)

Saint Louis

MO

63119

(City)

(State)

(Zip Code)

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

Carol Ann Kinzer

(678) 525-0992

(Area Code – Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

DeMarco Sciacotta Wilkens & Dunleavy, LLP

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

9645 Lincolnway Lane, Suite 214A Frankfort

IL

60423

(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, Clinton J. Lewis, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Detalus Securities, LLC, as of March 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:



Signature

Managing Member

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, a Statement of Comprehensive Income (as defined in §210.1-02 of the Regulations of the Board of Accountancy of the State of Missouri), for the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of the Regulations of the Board of Accountancy of the State of Missouri).
- ☒ (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).**

Detalus Securities, LLC

(A WHOLLY-OWNED SUBSIDIARY OF MANCHESTER HOLDINGS, LLC)

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2020
AND REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Member of
Detalus Securities, LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Detalus Securities, LLC (the "Company") as of March 31, 2020, and the related notes (collectively referred to as the "financial statement"). In our opinion, the statement of financial condition presents fairly, in all material respects, the financial position of Detalus Securities, LLC as of March 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 the Company's management. Our responsibility is to express an opinion on the Company'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 the Company 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.

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

DeMarco Sciacotta Wilkens & Dunleavy LLP

Frankfort, Illinois
May 12, 2020

Detalus Securities, LLC
 (A WHOLLY-OWNED SUBSIDIARY OF MANCHESTER HOLDINGS, LLC)

STATEMENT OF FINANCIAL CONDITION
March 31, 2020

ASSETS

CURRENT ASSETS		
Cash and Cash Equivalents	\$	33,294
Receivable from Other Organization(s)		2,500
Prepaid Expenses and Other Current Assets		10,648
Total current assets	\$	46,442
FIXED ASSETS		
Property and Equipment		6,342
Accumulated Depreciation		(2,623)
Fixed assets, net	\$	3,719
TOTAL ASSETS	\$	50,161

LIABILITIES AND MEMBER'S EQUITY

CURRENT LIABILITIES		
Accounts Payable	\$	3,557
Accrued expenses		12
TOTAL CURRENT LIABILITIES	\$	3,569
TOTAL MEMBER'S EQUITY	\$	46,592
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$	50,161

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

DETALUS SECURITIES, LLC
(A wholly-owned subsidiary of Manchester Holdings, LLC)
NOTES TO FINANCIAL STATEMENTS
FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION – Detalus Securities, LLC, (formerly known as Hancock Securities Group, LLC), a Missouri Limited Liability Company (“the Company”), was formed as a limited liability company under the laws of the State of Missouri on November 9, 1999 and commenced operations on April 4, 2000. During 2001, the members of the Company exchanged their ownership interest in the Company for equal interests in Manchester Holdings, LLC such that the Company is now a wholly-owned subsidiary of Manchester Holdings, LLC (“the Parent”). The latest date upon which the Company is to dissolve is December 31, 2029.

NATURE OF OPERATIONS – The Company is a member of the Financial Industry Regulatory Authority (FINRA) and is registered with the Securities and Exchange Commission (SEC). The Company operates as a broker-dealer that participates only in Capital Market Advisory transactions, including mergers and acquisitions, restructuring or recapitalization, and private placements. The Company’s minimum net capital requirement is \$5,000.

BASIS OF PRESENTATION – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

CASH AND CASH EQUIVALENTS – For purposes of the statement of cash flows, the Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

CONCENTRATION OF CREDIT RISK – Financial instruments that potentially subject the Company to credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains a cash account with a bank. The bank provides \$250,000 of deposit insurance through the Federal Deposit Insurance Corporation. The bank amount was not in excess of insured limits at March 31, 2020. Management does not believe significant credit risks exist at March 31, 2020.

PROPERTY AND EQUIPMENT – Property and equipment is stated at cost less accumulated depreciation. Depreciation is provided on the straight-line method using estimated useful lives of three to fifteen years. Property and equipment consist of furniture, fixtures, and computer equipment.

When assets are retired or otherwise disposed of, the costs and related accumulated depreciation/amortization is removed from the accounts; gains or losses resulting therefrom are included in the statement of operations and changes in member’s equity.

INCOME TAXES – The Company is a single member limited liability company and the current period net income (loss) (as applicable) is recognized on the Parent company’s income tax return. The Parent is also a limited liability company taxed as a partnership in which all elements of income and deductions are included in the tax returns of the members of the Parent. Therefore, no tax provision is recorded by the Company.

The Company has adopted the provisions of FASB Accounting Standards Codification 740-10, Accounting for Uncertainty in Income Taxes. Under FASB ASC 740-10, the Company is required to evaluate each of its tax positions to determine if they are more likely than not to be sustained if the taxing authority examines the respective position. A tax position includes an entity's status. The Company has

DETALUS SECURITIES, LLC
(A wholly-owned subsidiary of Manchester Holdings, LLC)
NOTES TO FINANCIAL STATEMENTS
FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2020

evaluated its tax positions and has determined that it has no uncertain tax positions for which a provision or liability for income taxes is necessary.

The Parent company files income tax returns in the U.S. in both federal and state jurisdictions where it has determined filing requirements are met.

CAPITAL MARKET ADVISORY REVENUE – From time to time, the Company earns Capital Market Advisory fees from mergers and acquisitions, restructuring or recapitalization, and private placement and related transactions whereby the principals participate in the equity investment. The Company earns its fees associated with these transactions through charges to the equity group based upon industry standard rates for due diligence, brokerage, and consulting on the proposed transaction. Revenues are recognized when the control of performed services is transferred to customers in an amount that reflects consideration the Company expects to be entitled to in exchange for those services in accordance with the terms of the engagement agreements. The company reviews its amortization policies for revenue on an annual basis.

For the 15 month period ended March 31, 2020, the Company earned \$67,500 revenue from activity related to Capital Market Advisory. For the 15 month period ended March 31, 2020, the Company received interest revenue, as well as trail and 12b1 revenue related to its legacy business as a full-service retail broker-dealer.

COMMISSION REVENUE – Commissions and trail revenue and related clearing expenses are recorded on a trade-date basis as securities transactions occur. At March 31, 2020, management considers all commissions and trail revenue receivable as collectible, therefore, an allowance for uncollectible amounts is not necessary.

Commission revenue represents sales commissions 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 is the principal for commission revenue, as it is responsible for the execution of the clients' purchases and sales, and maintains relationships with the product sponsors. Advisors assist the Company in performing its obligations. Accordingly, total commission revenues are reported on a gross basis.

The Company generates trailing commission revenue, which is generally based on a percentage of the current market value of clients' investment holdings in trail-eligible assets and is recognized over the period during which services are performed. As trailing commission revenue is based on the market value of clients' investment holdings, this variable consideration is constrained until the market value is determinable.

Our total commission revenue for the 15 month period ended March 31, 2020 totals \$5,152 and is categorized as mutual fund revenue.

USE OF ESTIMATES - The preparation of financial statements in conformity with GAAP 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

DETALUS SECURITIES, LLC
(A wholly-owned subsidiary of Manchester Holdings, LLC)
NOTES TO FINANCIAL STATEMENTS
FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2020

reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. RESERVE REQUIREMENTS

The Company is not obligated to report under SEC Rule 15c3-3, “Customer Protection: Reserves and Custody of Securities” Rule, because it does not maintain customer accounts or hold customer securities and claims exemption pursuant to SEC Rule 15c3-3 of the Securities and Exchange Commission in that the Company’s activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(i) of the Rule. Therefore, the Company does not have a reserve requirement, nor does it have any information disclosed relating to the possession or control requirement under Rule 15c3-3.

C. CAPITAL REQUIREMENTS

The Company is subject to the Uniform Net Capital Rule of the Securities and Exchange Commission (SEC Rule 15c3-1) which requires the maintenance of minimum net capital. Additionally, under these rules, a broker-dealer may not engage in any securities transaction at a time when its “aggregate indebtedness” exceeds by 15 times its “net capital,” as those terms are defined by the rules. At March 31, 2020, the Company’s net capital was \$29,725 or \$24,725 in excess of the minimum required net capital of \$5,000. The Company’s ratio of aggregate indebtedness to net capital was 0.12 to 1 at March 31, 2020.

D. RELATED PARTY TRANSACTIONS

The Company entered into an “Expense Sharing Agreement” with the Parent which was signed as of January 1, 2019. The Company reimbursed the Parent for office rent, equipment rent, operating expenses, management services, and business insurance totaling \$16,818. Additionally, the Company reimbursed the Parent for the full cost of health insurance, HSA contributions, LTD and LTC insurance, and 401k expenses for its allocation, totaling \$9,550. Other miscellaneous expenses are allocated as incurred (including travel, meals, and other miscellaneous expenses). The Company reimbursed the Parent a net \$4,938 for these expenses. These amounts are settled on a monthly basis. The Company also distributed \$50,000 to the Parent over the 15 month period ended March 31, 2020. As of March 31, 2020, there was no (\$0) outstanding receivable or payable between the Company and the Parent.

The Company also maintains business relationships with the following affiliated companies controlled by a common parent (Manchester Holdings, LLC): Detalus Advisors, LLC and Detalus Consulting, LLC. These companies routinely share personnel, facilities, equipment, and services. For the proper evaluation and management of each individual company, each affiliated company bears all of its direct costs and, in addition, bears its proportionate share of costs incurred for the benefit of the Detalus family of entities as a whole (i.e., no company should be unjustly enriched at the expense of another). All affiliate firms maintain proper records, books, and accounts for all shared expenses, and amounts are settled on at least a monthly basis primarily through receivables from affiliate and payables to affiliate.

The Company entered into agreements with Detalus Advisors, LLC and Detalus Consulting, LLC, and separate “Expense Sharing Agreements” were signed as of January 1, 2019. Each affiliated firm reimbursed the Company for its respective portion of shared expenses. Detalus Advisors reimbursed the Company a net \$11,714 for these expenses, and Detalus Consulting reimbursed the Company a net \$200

DETALUS SECURITIES, LLC
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NOTES TO FINANCIAL STATEMENTS
FOR THE 15 MONTH PERIOD ENDED MARCH 31, 2020

for these expenses. Additionally, other miscellaneous expenses are allocated as incurred (i.e., legal fees, meals and entertainment, travel, technology, advertising and marketing, etc.). Detalus Advisors reimbursed the Company a net \$14,562 for these expenses, and Detalus Consulting reimbursed the Company a net \$200 for these expenses.

As of March 31, 2020, there was no (\$0) outstanding receivable or payable between the Company and Detalus Advisors or Detalus Consulting.

The Company pays all expenses attributed to the brokerage business (including salaries, legal fees, and employee benefits) and brokerage-related expenses (including commissions, regulatory fees, telephone, postage, travel, etc.).

E. 401K PROFIT SHARING PLAN

The Parent has a 401(k) profit sharing plan for the benefit of its employees, of which the Company pays its respective allocation (see Note D). Employees may begin elective deferrals and are eligible for matching contributions immediately. Employees become 100% vested in the matching contributions immediately and 20% vested in the profit sharing plan after each year of service beginning in the second year. The employees become fully vested in the profit sharing plan after six years of service. The Parent's matching contribution is 100% of the first 3%, and 50% of the next 2%, of the employee's deferral amount. The Parent's profit sharing contribution to the plan, as determined by the partners of the Parent, is discretionary but cannot exceed maximum defined limitations. The Company's allocation of the contribution match for the 15 month period ended March 31, 2020 was \$306, and there was no profit sharing contribution.

F. BUSINESS CONCENTRATIONS

There was one customer that comprised approximately 52% of revenue during the year ended March 31, 2020.

G. CORONAVIRUS PANDEMIC

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the company, to date, the Company is experiencing [or expecting to experience] a delay and/or significant decline in anticipated capital market advisory revenue due to the pandemic. Our concentrations due to revenue type and high volume of business with a particular customer base make it reasonably possible that we are vulnerable to the risk of a near-term severe impact.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including a delay and/or significant decline in anticipated revenue.