

Aurus Advisors, Inc.

Annual Audit Report

December 31, 2016

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 01/01/16 AND ENDING 12/31/16
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Aurus Advisors, Inc.

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

N 822 Florida A1A, Suite 310

(No. and Street)

Ponte Vedra Beach

Florida

32082

(City)

(State)

(Zip Code)

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

Richad J. Augustus

904-473-4940

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst Wintter & Associates LLP

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

675 Ygnacio Valley road, Suite A200

Walnut Creek

California

94596

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒

Certified Public Accountant

☐

Public Accountant

☐

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

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*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, Richard J. Augustus, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Aurus Advisors, Inc., as of December 31, 2018, 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:

None



Richard J. Augustus
Signature

President

Title

[Signature]
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).*

Aurus Advisors, Inc.

December 31, 2016

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Report of Independent Registered Public Accounting Firm

To the Board of Directors of
Aurus Advisors, Inc.

We have audited the accompanying statement of financial condition of Aurus Advisors, Inc. (the "Company") as of December 31, 2016, and the related statements of income, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aurus Advisors, Inc. as of December 31, 2016, 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.

Schedules I and II have been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company'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, Schedules I and II are fairly stated, in all material respects, in relation to the financial statements as a whole.

 + *Ernst Winter LLP*

Walnut Creek, California
February 27, 2017

Aurus Advisors, Inc.

Statement of Financial Condition

December 31, 2016

Assets		
Cash and cash equivalents	\$	35,629
Accounts receivable		116,443
Warrants receivable		397
Prepaid expenses		4,524
Other assets - warrants		4,174
Total Assets	\$	161,167
 Liabilities and Stockholders' Equity		
Liabilities		
Commissions payable		44,899
Due to stockholder		1,100
Total Liabilities		45,999
Stockholders' Equity		
Common stock (no par value; 1,000,000 shares authorized; 10,000 shares issued and outstanding)		79,025
Retained earnings		36,143
Total Stockholders' Equity		115,168
Total Liabilities and Stockholders' Equity	\$	161,167

See accompanying notes to the financial statements.

Aurus Advisors, Inc.

Statement of Income

For the Year Ended December 31, 2016

Revenue	
Broker fees	\$ 1,528,928
Investment banking advisory fees	599,464
Other income	10,500
Unrealized loss	(892)
Total Revenue	2,138,000
Operating Expenses	
Compensation	1,013,669
Commissions	631,311
Professional fees	213,540
Occupancy expense	15,577
Other operating expenses	128,450
Total Expenses	2,002,547
Net Income	\$ 135,453

See accompanying notes to the financial statements.

Aurus Advisors, Inc.

Statement of Changes in Stockholders' Equity

For the Year Ended December 31, 2016

	Common Stock	Retained Earnings	Total
January 1, 2016	\$ 79,025	\$ 29,338	\$ 108,363
Net income		135,453	135,453
Shareholder distributions		(128,648)	(128,648)
December 31, 2016	\$ 79,025	\$ 36,143	\$ 115,168

See accompanying notes to the financial statements.

Aurus Advisors, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2016

Cash Flows from Operating Activities	
Net income	\$ 135,453
Adjustments to reconcile net income to net cash provided by operating activities:	
Unrealized loss	892
(Increase) decrease in:	
Accounts receivable	30,116
Prepaid expenses	(4,524)
Increase (decrease) in:	
Accrued expenses	(800)
Commissions payable	(28,166)
Due to stockholder	(4,323)
Net Cash Provided by Operating Activities	128,648
Cash Flows from Financing Activities	
Distributions	(128,648)
Net Cash Used by Financing Activities	(128,648)
Net Change in Cash and Cash Equivalents	-
Cash and cash equivalents at beginning of year	35,629
Cash and Cash Equivalents at End of Year	\$ 35,629

See accompanying notes to the financial statements.

Aurus Advisors, Inc.

Notes to the Financial Statements

December 31, 2016

1. Organization

Aurus Advisors, Inc. (the "Company") was originally formed as a California corporation and provides investment banking and advisory services to corporations, institutional fund managers and hedge funds. On February 9, 2004, the Company registered as a securities broker-dealer with the Securities and Exchange Commission pursuant to Section 15c of the Securities Exchange Act of 1934 and was granted a broker-dealer certificate by the California Department of Corporations. In November 2015, the Company reorganized in Florida and, going forward, will continue to operate as a Florida corporation.

2. Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all demand deposits held in banks and certain highly liquid investments with original maturities of three months or less, other than those held for sale in the ordinary course of business, to be cash equivalents.

Accounts Receivable

The Company considers accounts receivable to be fully collectible, and accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations when that determination is made.

Broker Fees and Investment Banking Advisory Fees

Revenues are earned from providing brokerage activities and investment banking advisory services to corporations, institutional investors and hedge funds. Revenue is recognized when earned either by fee contract or the success of a predetermined specified event and the income is reasonably determinable.

Use of Estimates

The preparation of financial statements in accordance 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have impact on future periods.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities that represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

Income Taxes

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be treated as an S Corporation. In lieu of corporate income taxes, the Company's income or loss is generally passed through to the shareholders' federal and state individual income tax returns. However, the Company is liable for California franchise tax on S corporations. The Company is no longer subject to state income tax examinations by tax authorities for years before 2012.

Deferred income taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The deferred tax assets and liabilities 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. Deferred tax assets and liabilities are not significant at December 31, 2016.

Aurus Advisors, Inc.

Notes to the Financial Statements

December 31, 2016

3. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission's uniform net capital rule (Rule 15c3-1) which requires the Company to maintain a minimum net capital equal to or greater than \$5,000 and a ratio of aggregate indebtedness to net capital not exceeding 15 to 1, both as defined. At December 31, 2016, the Company's net capital was \$34,529 which exceeded the requirement by \$29,529.

4. Lease Obligation

On June 5, 2014, the Company entered into an operating lease for an automobile. The lease term is 3 years and ends on June 5, 2017. Future minimum lease payments under the lease are:

Year	Amount
2017	4,523
Total	\$ 4,523

5. Risk Concentrations

At various times during the year, the Company's cash balances have exceeded FDIC insured limits.

Due to the nature of the Company's advisory services business, 47% of the Company's revenue during the year was generated from one customer. At December 31, 2016, 95% of the receivable of \$116,443 was related to one customer.

6. Related Party Transactions

The Company pays \$500 per month in rent to a stockholder. During 2016, the stockholder incurred expenses that were reimbursed by the Company. At December 31, 2016, the Company owed the stockholder \$1,100 related to unreimbursed expenses incurred during the year.

7. Retirement Plan

The Company sponsors a 401(k) profit sharing plan. The plan allows employees to elect to defer a percentage of compensation each year through salary reduction contributions to the plan. The employer may elect to make discretionary contributions to the plan. At December 31, 2016, the Company did not make any discretionary contributions for the year.

8. Fair Value Measurements

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

Aurus Advisors, Inc.

Notes to the Financial Statements

December 31, 2016

8. Fair Value Measurements Continued

Determination of Fair Value

Under the Fair Value Measurements Topic of the FASB Accounting Standards Codification, the Company bases its fair value on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon management's own estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future value.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value:

Warrants and Warrants Receivable

Determining the appropriate fair value and calculating the fair value of warrants requires the use of highly subjective and complex assumptions. The Company uses the Black-Sholes option pricing model to calculate the fair value of the warrants at the time of the transaction or valuation date. The method requires the use of judgment in estimating stock price volatility (5%), expected dividends (0%), expected life (3 years), and the risk free interest rate (1.2%). The Company's estimate of volatility was based on similar small cap companies benchmark index, and the risk free interest rate is based on the U.S. Treasury 3 year constant maturity rate at the time the warrants were earned.

Assets Measured and Recognized at Fair Value on a Recurring Basis:

December 31, 2016				
	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Warrants and warrants receivable	-	-	\$4,571	\$4,571

Changes in Assets Classified in Level 3 for 2016:

Warrants and Warrants Receivable	Amount
Balance at January 1, 2016	\$5,463
Warrants earned	-
Unrealized loss	(892)
Balance at December 31, 2016	\$4,571

9. Subsequent Events

The Company has evaluated subsequent events through February 27, 2016, the date which the financial statements were issued.

SUPPLEMENTAL INFORMATION

Aurus Advisors, Inc.
Schedule I

**Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission**

As of December 31, 2016

Net Capital

Total stockholders' equity \$ 115,168

Less: Non-allowable assets

Accounts receivable 71,544

Warrants receivable 397

Prepaid expenses 4,524

Other assets - warrants 4,174

Total non-allowable assets 80,639

Net Capital 34,529

Net minimum capital requirement of 6 2/3% of aggregate

indebtedness of \$45,999 or \$5,000, whichever is greater 5,000

Excess Net Capital \$ 29,529

**Reconciliation with Company's Net Capital Computation
(included in Part II of Form X-17A-5 as of December 31, 2016)**

There were no material differences noted in the Company's net capital computation at December 31, 2016

See accompanying notes to the financial statements.

Aurus Advisors, Inc.
Schedule II

**Computation for Determination of Reserve Requirements Under
Rule 15c3-3 of the Securities and Exchange Commission**

For the Year Ended December 31, 2016

An exemption from Rule 15c3-3 is claimed, based upon section (k)(2)(i). All customer transactions are processed in accordance with Rule 15c3-1(a)(2).

**Information Relating to Possession or Control Requirements Under
Rule 15c3-3 of the Securities and Exchange Commissions**

For the Year Ended December 31, 2016

An exemption from Rule 15c3-3 is claimed, based upon section (k)(2)(i).

See accompanying notes to the financial statements.

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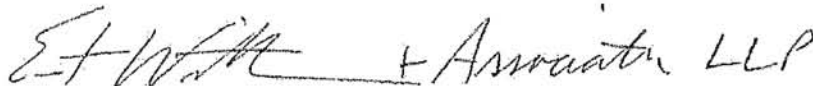
Review Report of Independent Registered Public Accounting Firm

To the Board of Directors of
Aurus Advisors, Inc.

We have reviewed management's statements, included in the accompanying SEA 15c3-3 Exemption Report, in which (1) Aurus Advisors, Inc. (the "Company") identified the following provisions of 17 C.F.R. §15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. §240.15c3-3: (k)(2)(i) (the "exemption provisions") and (2) the Company stated that it met the identified exemption provisions throughout the most recent fiscal year without exception. The Company'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 the Company'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)(i) of Rule 15c3-3 under the Securities Exchange Act of 1934.

 + Associates LLP

Walnut Creek, California
February 27, 2017

AURUS ADVISORS, INC.

156 RETREAT PLACE
PONTE VEDRA BEACH, FLORIDA 32082
TELEPHONE 650-401-5700 FACSIMILE 801-838-3837

February 10, 2017

SEA 15c3-3 Exemption Report

I, Richard J. Augustus, President of Aurus Advisors, Inc. (the "Company") represent the following:

1. The Company claims the k(2)(i) exemption to SEA §240.15c3-3;
2. The Company met the identified exemption provisions in SEA §240.15c3-3(k) throughout the most recent fiscal year as of December 31, 2016 without exception; and
3. There were no exceptions during the most recent fiscal year in meeting the identified exemption provisions in SEA §240.15c3-3(k).

Respectfully submitted,



Richard J. Augustus
President