

**INDEPENDENT BROKERS, LLC**  
**(A LIMITED LIABILITY COMPANY)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

1. **Statement of Significant Accounting Policies:**

**Organization:**

Independent Brokers, LLC (A Limited Liability Company) was organized on September 20, 2004 under the laws of the State of New York and was authorized to do business in New York. The company is a registered broker under the Securities and Exchange Commission and became a member of the Financial Industry Regulatory Authority, Inc., formerly the National Association of Securities Dealers, in November 2005.

**Concentration of Risk:**

The company is engaged in various trading and brokerage activities in which counterparties primarily consist of other broker dealers. In the event these counterparties do not fulfill their obligations, the company may be exposed to certain risks. The risk of default depends upon the creditworthiness of the counterparties or issuers of the instrument.

The Company maintains accounts with Signature bank. The balances at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

**Security Transactions:**

The company records its transactions on the trade date; this includes profits and losses arising from security transactions entered into for the account of the company.

**Cash and Cash Equivalents:**

Cash equivalents are limited to short term, highly liquid investments that are both readily convertible to known amounts of cash and of an original maturity of three months or less.

**Property and Equipment:**

Property and equipment are stated at cost, less accumulated depreciation. Repairs and maintenance charges, which do not increase the useful lives of assets, are charged to income as incurred. Depreciation expense for the year ended December 31, 2015 was \$3,444.

**Use of Estimates:**

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

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1. **Statement of Significant Accounting Policies (continued):**

**Income Taxes:**

No provision for federal and state income taxes is made in these financial statements as these taxes are the responsibility of the member under this form of organization. However, the company is liable for New York City unincorporated business tax, which has been accrued for in the financial statements.

**Leases:**

The company entered into a lease agreement with 55 Broad Street L.P. for the rental of property located at 55 Broad Street, New York, NY. This initial agreement commenced on October 7, 2004 and ended on December 31, 2010. The company signed a five year and three month renewal of this lease which commenced on January 1, 2011 and ends on March 31, 2016. Future minimum lease payments are as follows:

Year Ended December 31,	
2016	\$ <u>19,208</u>
	\$ <u>19,208</u>

2. **Property and Equipment**

Property and equipment consist of the following:

Leasehold improvements	\$ 95,300
Machinery and equipment	87,111
Furniture and fixtures	34,675
Computer software	1,280
	<u>218,366</u>
Less: Accumulated depreciation	<u>144,853</u>
	<u>\$ 73,513</u>

3. **Net Capital Requirements:**

Independent Brokers, LLC (A Limited Liability 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 (the rule of the New York Stock Exchange also provides that equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1). At December 31, 2015, Independent Brokers, LLC (A Limited Liability Company) had net capital of \$324,625 after adjustments for non-allowable assets, which was \$261,508 in excess of its required net capital of \$63,117. Independent Brokers, LLC (A Limited Liability Company)'s net capital ratio was 2.92 to 1.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DECEMBER 31, 2015**

**4. Financial Instruments with Off-Balance Sheet Credit Risk:**

As a securities broker, the company is engaged in buying and selling securities for a diverse group of institutional and individual investors. The company's transactions are collateralized and are executed with and on behalf of banks, brokers and dealers and other financial institutions. The company introduces these transactions for clearance to other broker/dealers on a fully disclosed basis.

The company's exposure to credit risk associated with non-performance of customers in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets which may impair customers' ability to satisfy their obligations to the company and the company's ability to liquidate the collateral at an amount equal to the original contracted amount. The agreement between the company and its clearing brokers provides that the company is obligated to assume any exposure related to such non-performance by its customers. The company seeks to control the aforementioned risks by requiring customers to maintain margin collateral in compliance with various regulatory requirements and the clearing brokers internal guidelines. The company monitors its customers' activity by reviewing information it receives from its clearing brokers on a daily basis, and requiring customers to deposit additional collateral, or reduce positions when necessary.

**5. Profit Sharing Plan:**

The company has a profit sharing plan for all employees who meet plan eligibility requirements whereby it contributes to the plan based on participants' compensation. The company also has provisions for additional salary deferral under Internal Revenue Code Section 401(k). Company contributions to this plan are discretionary and are determined annually by the company. For the year ended December 31, 2015, the company made no contributions to the plan.

**6. Commitments and Contingencies:**

The company had no significant contingent liabilities requiring disclosure in the financial statements.

**7. Subsequent Events**

The Company has evaluated events and transactions that occurred between December 31, 2015 and March 11, 2016, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.