

**PLEXUS FINANCIAL SERVICES, LLC**  
**Deer Park, Illinois**

**Year Ended December 31, 2018**  
**Together With Report of the Independent**  
**Registered Public Accounting Firm**

**PLEXUS FINANCIAL SERVICES, LLC**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Managing Member  
Plexus Financial Services, LLC

### Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Plexus Financial Services, LLC as of December 31, 2018 and 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 Plexus Financial Services, 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 Plexus Financial Services, LLC's management. Our responsibility is to express an opinion on Plexus Financial Services, 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 Plexus Financial Services, 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 accompanying supplemental information in Schedules I, II and III, as listed in the table of contents, has been subjected to audit procedures performed in conjunction with the audit of Plexus Financial Services, LLC's financial statements. The supplemental information is the responsibility of Plexus Financial Services, 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 supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Plante & Moran, PLLC*

We have served as Plexus Financial Services, LLC's auditor since 2017.  
Chicago, Illinois  
February 22, 2019

**Plexus Financial Services, LLC**  
**Statement of Financial Condition**  
**December 31, 2018**

**Assets**

Cash and cash equivalents	\$ 310,658
Regulatory deposit – FINRA	790
Advisory fees receivable	18,501
Advisory fees billed in advance	12,500
Commissions receivable-group annuities	125,000
Fixed assets, net of accumulated depreciation of \$3,601	<u>1,457</u>
 Total Assets	 <u>\$ 468,906</u>

**Liabilities and Member's Equity**

Liabilities:	
Accrued expenses	\$ 41,934
Due to affiliate	74,120
Deferred revenue	<u>15,000</u>
 Total Liabilities	 <u>131,054</u>
 Member's Equity	 <u>337,852</u>
 Total Liabilities and Member's Equity	 <u>\$ 468,906</u>

The accompanying notes are an integral part of these financial statements

**Plexus Financial Services, LLC**  
**Statement of Operations**  
**Year Ended December 31, 2018**

**Revenue**

Commissions and advisory fees	<u>\$ 1,450,331</u>
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**Expenses**

Employee compensation and benefits	972,065
Commissions	8,458
Regulatory fees and expenses	28,692
Other office expenses	275,450
Interest, net	<u>124</u>

Total Expenses	<u>1,284,789</u>
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Gain on settlement of program payments payable	<u>350,974</u>
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Net Income	<u>\$ 516,516</u>
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The accompanying notes are an integral part of these financial statements

**Plexus Financial Services, LLC**  
**Statement of Changes in Member's Equity**  
**Year Ended December 31, 2018**

**Member's Equity**

Balance, beginning of year	\$ 151,336
Capital contributions	70,000
Distributions to member	(400,000)
Net income	<u>516,516</u>
Balance, end of year	<u>\$ 337,852</u>

The accompanying notes are an integral part of these financial statements

**Plexus Financial Services, LLC**  
**Statement of Cash Flows**  
**Year Ended December 31, 2018**

<b>Cash Flows from operating activities:</b>	
Net income	\$ 516,516
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	971
Gain on settlement of program payments payable	(350,974)
Changes in operating assets and liabilities:	
Commissions and advisory fees receivable	(15,048)
Other assets	(507)
Accrued expenses	(2,047)
Due to affiliate	(15,362)
Deferred revenue	15,000
Program payments payable	<u>(136,014)</u>
Net cash provided by operating activities	<u>12,535</u>
<b>Cash flows from financing activities:</b>	
Capital contributions	70,000
Distributions to member	<u>(400,000)</u>
Net cash used in financing activities	<u>(330,000)</u>
Net decrease in cash and cash equivalents	(317,465)
<b>Cash and cash equivalents at beginning of year</b>	<u>628,123</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 310,658</u>

The accompanying notes are an integral part of these financial statements

**PLEXUS FINANCIAL SERVICES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**Note 1 - Organization and Nature of Business**

Plexus Financial Services, LLC (PFS, the Company) is a licensed introducing broker-dealer registered with the Securities and Exchange Commission (SEC) as an investment advisor and The Financial Industry Regulatory Authority (FINRA) as a broker-dealer. PFS is wholly-owned by The Plexus Groupe, LLC (TPG), an independent national insurance brokerage firm, and obtained its license on December 3, 2010. PFS receives advisory fees and commissions for servicing retirement and group annuity plans primarily of new and existing TPG customers.

**Note 2 – Summary of Significant Accounting Policies**

Basis of Accounting

PFS uses the accrual method of accounting for financial reporting purposes.

Revenue Recognition

Effective January 1, 2018 the Company adopted ASU 2014-09, Revenue from Contracts with Customers. The Company recognizes revenue when services are transferred to clients. Revenue is recognized based on the amount of consideration that management expects to receive in exchange for these services in accordance with the terms of the contract with the client.

The adoption of ASU 2014-09 did not have an impact on the recognition of the primary sources of revenue. The timing of recognition of revenue was also not impacted, and therefore the Company was not required to record any cumulative effect adjustment to opening equity.

Commissions are recorded as earned at the end of each month based upon reports received from third-party retirement plan sponsors/custodians who calculate such commissions based upon a written agreement.. Advisory fees are recorded as earned on a monthly basis.

There are some accounts in which a predetermined fixed fee is earned in lieu of commissions. Additionally, PFS may bill for various consulting and due diligence activities. Revenue for these transactions is recorded on a monthly basis as services are performed.

Commissions and Advisory Fees Receivable

Commissions and advisory fees receivable are carried at original invoice amount. No allowance for uncollectible accounts has been provided. In the opinion of management, based upon historical experience any needed allowance for potential uncollectible accounts would be immaterial to the financial statements.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers cash on deposit in demand accounts and money market funds as cash and cash equivalents.



**PLEXUS FINANCIAL SERVICES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Concentration of Risk

Cash on deposit with financial institutions totaled approximately \$310,658 as of December 31, 2018. Cash deposits could potentially be subject to credit risk as the deposits are only insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits.

Income taxes

The Company is a pass-through entity for income tax purposes whereby any income tax liabilities or benefits are attributable to TPG and their owners. Therefore, no provision for income taxes has been reflected in the accompanying financial statements. It is the opinion of management that the Company has no significant uncertain tax positions that would be subject to change upon examination. The federal income tax returns of the Company are subject to examination by the IRS, generally for three years after they were filed.

**Note 3 – Net Capital**

PFS is subject to the Securities and Exchange Commission's (SEC) regulations and operational policies which require PFS to maintain a minimum amount of net capital equal to the greater of 6 2/3 percent of aggregate indebtedness (AI), as defined, or \$5,000 and a ratio of AI to net capital not exceeding 15 to 1. The Company's regulated net capital as of December 31, 2018 was \$198,105 which exceeded required net capital by \$189,368. The Company's ratio of AI to net capital as of December 31, 2018 was 0.66 to 1.0.

**Note 4 – Related Party Transactions**

PFS shares office space and various office-related expenses with TPG and another party related by common ownership, CEM Insurance Company (CEMIC), under an expense agreement approved by FINRA. At the beginning of the subsequent month the two parties settle the balances due on a net basis. During 2018 expenses charged by TPG and CEMIC to PFS were \$205,237. Amounts owed to TPG totaled \$74,120 at December 31, 2018. Included in the amount due affiliate is \$50,480 of December 2018 payroll which is processed through TPG payroll provider but is considered a direct expense of PFS.

**PLEXUS FINANCIAL SERVICES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**Note 5 – Program Payments Payable**

In February 2017, the Company received an inquiry from The U.S. Department of Labor (DOL) regarding certain compensation payments received from one of its retirement plan custodians. The payments cover the period from 2012 to 2017. The Company no longer receives such payments from the custodian. During 2018 the Company was required to refund \$136,014 of the \$486,988 of the total estimated amount accrued at December 31, 2017. The Company has recognized a gain on settlement of program payments payable in the amount of \$350,974 in its statement of operations for the year ended December 31, 2018 as a result of this settlement with the DOL.

**Note 6 - Subsequent Events**

No significant events occurred subsequent to PFS's year end. Subsequent events have been evaluated through February 22, 2019, which is the date these financial statements were issued.

## **SUPPLEMENTARY INFORMATION**

**PLEXUS FINANCIAL SERVICES, LLC**  
**Computation of Net Capital Under Rule 15c3-1**  
**December 31, 2018**

The components of the net capital computation as of December 31, 2018 are as follows:

Total Member's Equity		\$ 337,852
Deductions:		
Non allowable assets		
FINRA deposit	\$ 790	
Fixed assets	1,457	
Commissions receivable and fees billed in advance	<u>137,500</u>	<u>139,747</u>
Net Capital Before Haircuts		198,105
Total Haircut Charges		<u>-</u>
Net Capital		198,105
Less: Minimum Required Capital		<u>8,737</u>
<b>Excess Net Capital</b>		<u><u>\$ 189,368</u></u>
<b>Net capital less the greater of 10% of AI or 120% of \$5,000</b>		<u><u>\$ 185,000</u></u>
<b>Computation of Aggregate Indebtedness:</b>		
Total aggregate indebtedness		\$ 131,054
Minimum net capital required		\$ 8,737
Total net capital		\$ 198,105
Ratio of aggregate indebtedness to net capital computed in accordance with Rule 15c-3-1(d)		0.66

There are no material differences between the computation of net capital above and the calculation performed by PFS for regulatory filings.

See independent auditor's report regarding supplemental information

**PLEXUS FINANCIAL SERVICES, LLC**  
**Computation for Determination of Reserve Requirement Under Rule 15c3-3 (exemption)**  
**December 31, 2018**

The Computation for Determination of Reserve Requirements for Brokers and Dealers pursuant to Rule 15c3-3 under the Securities and Exchange Act of 1934 is not included herein as Plexus Financial Services, LLC claims exemption pursuant to section (k)(1) since it does not hold any customer funds or securities.

See independent auditor's report regarding supplemental information

**PLEXUS FINANCIAL SERVICES, LLC**  
**Information for Possession or Control Requirements Under**  
**Rule 15c3-3 (exemption)**  
**December 31, 2018**

Information relating to possession or control requirements pursuant to Rule 15c3-3 under the Securities and Exchange Act of 1934 is not included herein as Plexus Financial Services, LLC claims exemption pursuant to section (k)(1) since it does not hold any customer securities or cash and did not maintain possession or control of any customer funds or securities in 2018.

See independent auditor's report regarding supplemental information



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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Managing Member  
Plexus Financial Services, LLC

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) Plexus Financial Services, LLC identified the following provision of 17 C.F.R. §15c3-3(k) under which Plexus Financial Services, LLC claimed an exemption from 17 C.F.R. §240.15c3-3: (k)(1) (the "exemption provision") and (2) Plexus Financial Services, LLC stated that Plexus Financial Services, LLC met the identified exemption provision throughout the most recent fiscal year without exception. Plexus Financial Services, LLC's management is responsible for compliance with the exemption provision 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 Plexus Financial Services, LLC's compliance with the exemption provision. 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 provision set forth in paragraph (k)(1) of Rule 15c3-3 under the Securities Exchange Act of 1934.

*Plante & Moran, PLLC*

Chicago, Illinois  
February 22, 2019

December 31, 2018

**Re: Exemption Report Pursuant to SEC 17a-5(d)(4) - Plexus Financial Services, LLC  
Period Covered - 2018**

The below information is designed to meet the Exemption Report criteria pursuant to SEC Rule 17a-5(d)(4):

PLEXUS FINANCIAL SERVICES, LLC is a broker-dealer registered with the SEC and FINRA.

PLEXUS FINANCIAL SERVICES, LLC claimed an exemption under paragraph (k)(1) of Rule 15c3-3 for the year ended December 31, 2018.

PLEXUS FINANCIAL SERVICES, LLC has met the identified exemption provisions in paragraph k(1) of Rule 15c3-3 throughout the period of January 1, 2018 through December 31, 2018 without exception.

The above statements are true and correct to the best of my and the Firm's knowledge.



Thad A. Jurczak  
Financial Operations Principal  
Plexus Financial Services, LLC



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON APPLYING  
AGREED-UPON PROCEDURES

To the Managing Member  
Plexus Financial Services, LLC

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934 and with the SIPC Series 600 Rules, we have performed the procedures enumerated below, which were agreed to by Plexus Financial Services, LLC and the Securities Investor Protection Corporation (SIPC) with respect to the accompanying General Assessment Reconciliation (Form SIPC-7) of Plexus Financial Services, LLC for the year ended December 31, 2018, solely to assist you and SIPC in evaluating Plexus Financial Services, LLC's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Plexus Financial Services, LLC's management is responsible for Plexus Financial Services, LLC's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the Public Company Accounting Oversight Board (United States). The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records, noting no differences
2. Compared the total revenue amount reported on the Annual Audited Report Form X-17A-5 Part III for the year ended December 31, 2018 with the total revenue amount reported in Form SIPC-7 for the year ended December 31, 2018, noting no differences
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers, noting no differences
4. Recalculated the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments, noting no differences.
5. Compared the amount of any overpayment applied to the current assessment with Form SIPC-7 on which it was originally computed, noting no differences.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance with the applicable instructions of Form SIPC-7. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

Chicago, Illinois  
February 22, 2019