

Olivetree Financial, LLC

Statement of Financial Condition

December 31, 2018

**(With Report of Independent Registered Public
Accounting Firm Thereon)**

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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8-68603

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 1/1/2018 AND ENDING 12/31/2018
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: OLIVETREE FINANCIAL, LLC

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

420 LEXINGTON AVENUE

(No. and Street)

NEW YORK

NY

10170

(City)

(State)

(Zip Code)

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

JANICE PARISE

(212) 751-4422

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

MAZARS

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

60 CROSSWAYS PARK DRIVE WEST WOODBURY

NY

11797

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

<input checked="checked" type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

Certified Public Accountant

Public Accountant

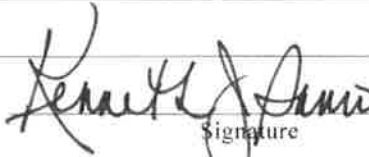
Accountant not resident in United States or any of its possessions.

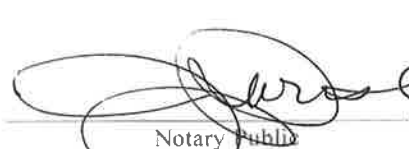
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**Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)*

OATH OR AFFIRMATION

I, KENNETH SAVIO, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of OLIVETREE FINANCIAL, LLC, 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:


Signature


Notary Public
JANICE PARISE, CHIEF EXECUTIVE OFFICER
Notary Public, State of New York
No. 41-4968956
Qualified in Queens County
Commission Expires July 9, 2022
Title

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 Cash Flows.
- ☐ (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).

Olivetree Financial, LLC
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Report of Independent Registered Public Accounting Firm

To the Member and Board of Directors of Olivetree Financial, LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Olivetree Financial, LLC, (the "Company"), as of December 31, 2018, 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 the Company, as of December 31, 2018, 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 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 statement. 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 statement. We believe that our audit provides a reasonable basis for our opinion.

Mazars USA LLP

We have served as the Company's auditor since 2012

Woodbury, NY
February 27, 2019

MAZARS USA LLP
60 CROSSWAYS PARK DRIVE WEST, SUITE 301 – WOODBURY, NEW YORK – 11797
TEL: 516.488.1200 – FAX: 516.488.1238 – WWW.MAZARSUSA.COM

MAZARS USA LLP IS AN INDEPENDENT MEMBER FIRM OF MAZARS GROUP.



Olivetree Financial, LLC
Statement of Financial Condition
December 31, 2018

Assets

Cash	\$ 333,427
Due from brokers, clearing organizations and others	3,655,340
Due from parent	429,859
Deferred tax asset	408,329
Research fee receivable	80,800
Security deposits	132,148
Prepaid expenses	40,474
Fixed assets, net of accumulated depreciation	179,698
Total assets	<u>\$ 5,260,075</u>

Liabilities and Member's Equity

Due to brokers, clearing organizations and others	\$ 2,955,576
Accrued expenses and other payables	429,007
Total liabilities	<u>3,384,583</u>

Member's equity	<u>1,875,492</u>
Total Liabilities and Member's Equity	<u>\$ 5,260,075</u>

The accompanying notes are an integral part of this Statement of Financial Condition.

Olivetree Financial, LLC
Notes to the Statement of Financial Condition
December 31, 2018

1. Organization and Nature of Business

Olivetree Financial, LLC (the "Company") is a wholly-owned subsidiary of Olivetree Financial Limited (the "Parent") and was formed on December 15, 2009. The Company is a registered broker-dealer with the Securities and Exchange Commission (the "SEC") and a member of the Financial Industry Regulatory Authority ("FINRA").

The Company distributes, to U.S. institutional investors and other U.S. registered broker-dealers, the research of its Parent, a financial services firm authorized and regulated under the Financial Conduct Authority in the United Kingdom. The Company accepts and executes orders from U.S. institutional investors and U.S. broker-dealers primarily in relation to foreign securities covered by this research. The Company also accepts orders in relation to certain U.S. equity securities and American Depositary Receipts. The Company may also act as a member of a selling group in selected underwritings on a best efforts basis and may conduct a private placement business. The Company transmits orders in foreign securities to the Parent for execution and clearing which is facilitated through a chaperoning agreement under Rule 15a-6 of the Securities Exchange Act of 1934.

The Company operates under the provisions of Paragraphs (k)(2)(i) and (k)(2)(ii) of Rule 15c3-3 of the Securities Exchange Act of 1934 and, accordingly, is exempt from the remaining provisions of that rule. Essentially, the requirements of Paragraph (k)(2)(ii) provide that the Company clear all transactions on behalf of customers on a fully disclosed basis with a clearing broker-dealer and promptly transmit all customer funds and securities to the clearing broker-dealer. The clearing broker-dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker-dealer. The Company does not hold customer funds or securities and therefore it is exempt from the requirement of SEC Rule 15c3-3.

The liability of the member for the losses, debts, and obligations of the Company is generally limited to its contributions.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases, which replaces the existing guidance in ASC 840, Leases. The new standard establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. The guidance will be effective for annual reporting periods beginning after December 15, 2018, and early adoption is permitted. The Company has evaluated the impact of ASU 2016-02 and expects to record a right of use asset of approximately \$827,000 and a liability of approximately \$894,000.

The following is a summary of the significant accounting policies followed by the Company.

Cash

The Company maintains its cash balances with financial institutions which, at times, exceed federally-insured limits. The Company has not experienced any losses in such accounts and believes it is not

Olivetree Financial, LLC
Notes to the Statement of Financial Condition
December 31, 2018

exposed to any significant risk on its accounts. At December 31, 2018, the Company had \$79,698 in cash which exceeded the federally insured limits.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The estimated useful life for computer and equipment is five years.

Expenditures for maintenance, repairs, and minor renewals and betterments are charged to operations as incurred; renewals and betterments of a major character are capitalized. When property is retired, sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized.

Revenue and Expense Recognition

Effective January 1, 2018, the Company adopted ASC Topic 606, Revenue from Contracts with Customers ("ASC Topic 606"). The new revenue recognition guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires an entity to follow a five step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation.

Securities transactions and the related revenues and expenses are recorded on a trade-date basis as securities transactions occur. 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 agree upon and the risks and rewards of ownership have been transferred to/from the customer. Research fees received in return for a research product, either directly from clients or from brokers, are recorded when services are delivered.

Receivable balances for the beginning and ending of the period are as follows:

	December 31, 2018	January 1, 2018
Due from clearing broker	3,655,340	1,125,169
Due from parent	429,859	405,289
Research fee receivable	80,800	99,630

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 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 these estimates.

Income Taxes

The Company has elected to be treated as a corporation for Federal, state, and local income tax purposes. The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected

Olivetree Financial, LLC
Notes to the Statement of Financial Condition
December 31, 2018

to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that all or some portion of the deferred tax assets will not be realized.

3. Clearing Agreement

The Company introduces its customer transactions to a clearing broker with which it has a correspondent relationship for execution and clearance in accordance with the terms of a clearance agreement. In connection therewith, the Company is required to maintain a collateral account with its clearing broker that serves as collateral for any losses that the clearing broker may sustain as a result of the failure of the Company's customers to satisfy their obligations in connection with their securities transactions. As of December 31, 2018, the Company has a receivable of \$3,655,340 from brokers, clearing organizations, and others which includes a fail to deliver in the amount of \$2,955,576. The Company has also recorded a corresponding liability related to this fail which is reflected as Due to brokers, clearing organizations, and others on the statement of financial condition.

4. Fixed Assets

A summary of the cost and accumulated depreciation of fixed assets at8 is as follows:

Furniture and Equipment	\$ 407,246
Less: accumulated depreciation	(227,548)
	<u>\$ 179,698</u>

5. Commitments

On January 29, 2016, the Company entered into a Lease Assignment and Assumption agreement ("Lease") with a commencement date of March 1, 2016, for a new office space located in Suite 201, Two Stamford Plaza, 281 Tresser Boulevard, Stamford, CT. On May 29, 2017, the Company entered into an operating sublease agreement with a subtenant for this office space. Per the terms of the agreement the Company will receive monthly payments from the subtenant until the expiration date of February 27, 2019.

In June 2017, the Company entered into a Lease agreement ("Lease") for a new office space located at 420 Lexington Avenue, New York, NY 10170. The Company then entered into a Lease modification agreement on July 17, 2017, to modify certain terms of the lease.

Minimum annual rental commitments are as follows at December 31, 2018.

Year ending December 31,	Amount
2019	\$ 240,116
2020	206,735
2021	212,420
2022	218,261
Thereafter	129,338
	<u>\$ 1,006,870</u>

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The future minimal rental income from the Connecticut office space is as follows at December 31, 2018.

Year ending December 31,	Amount
2019	\$ 30,000
	<u>\$ 30,000</u>

6. Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the Company executes, as agent, securities transactions on behalf of customers. If the agency transactions do not settle because of failure to perform by either the customer or the counterparty, the Company may be obligated to discharge the obligations of the nonperforming party and, as a result, may sustain a loss if the value of the security is different from the contract amount of the transaction.

7. Related Party Transactions

The Company is economically dependent on its Parent and the Parent will continue to financially support the operations of the Company. The Company has a Commission Sharing Agreement (the "Agreement") with the Parent. Under terms of the agreement, the Parent Company executes and clears customer orders of foreign securities.

8. Income Taxes

The Company provides for income taxes in accordance with the asset and liability method and recognizes deferred income taxes for the expected future tax consequences of differences in the book and tax bases of assets and liabilities and available net operating loss carryforwards.

At December 31, 2018, differences in depreciation methods, accrued expenses and net operating loss carryforwards gave rise to a net deferred tax asset of approximately \$408,000 consisting of a deferred tax asset of \$452,000 and a deferred tax liability of \$44,000.

As of December 31, 2018, the Company had net operating loss carryforwards of approximately \$1,243,000 for federal and \$1,100,000 for state and local purposes available to offset future taxable income. The net operating loss carryforwards expire at various times through 2037.

Management has made an assessment of the net operating loss carryforwards and has determined that it is more likely than not that the net operating loss carryforwards will be utilized. As a result, the valuation allowance decreased by approximately \$524,000.

The Company adopted the general accounting principle regarding uncertain tax positions. Management believed that the Company does not have any uncertain tax positions as of December 31, 2018. Generally, the Company's tax returns are subject to examination by Federal, state, and local authorities for a period of three years from the later of the due date of such returns or the actual date the returns were filed.

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9. Net Capital Requirements

The Company is subject to the Uniform Net Capital Rule 15c3-1 (the "Rule") of the SEC which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by the Rule, which requires the Company to maintain a minimum net capital equal to \$250,000. At December 31, 2018, the Company had net capital of \$604,184, which exceeded the regulatory requirement by \$354,184.