

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

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 12/31/2019  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: JOSEPH STONE CAPITAL LLC

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

200 OLD COUNTRY ROAD SUITE 610  
(No. and Street)  
MINEOLA NY 11501  
(City) (State) (Zip Code)

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

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

LIEBMAN GOLDBERG & HYMOWITZ LLP  
(Name - if individual, state last, first, middle name)  
595 STEWART AVE GARDEN CITY NY 11530  
(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)

SEC 1410 (11-05)

Potential persons who are to respond to the collection of  
information contained in this form are not required to respond  
unless the form displays a currently valid OMB control number.

# OATH OR AFFIRMATION

I, DAMIAN MAGGIO, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of JOSEPH STONE CAPITAL LLC, as of DECEMBER 31, 2019, 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:

**JAMES VINCENT PARDY**  
Notary Public, State of New York  
Registration #01PA8308395  
Qualified in New York County  
Commission Expires June 29, 2016

Wassau City  
12.21.2022

Signature

Title

Notary Public

ON 26<sup>th</sup> day of February 2020

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 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).

**LIEBMAN GOLDBERG & HYMOWITZ LLP**

*Certified Public Accountants*

595 Stewart Avenue, Suite 420  
Garden City, New York 11530

Tel (516) 228-6600  
Fax (516) 228-6664

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Member's  
of Joseph Stone Capital, LLC

**Opinion on the Financial Statement**

We have audited the accompanying statement of financial condition of Joseph Stone Capital, LLC as of December 31, 2019, 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 Joseph Stone Capital, LLC as of December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

This financial statement is the responsibility of Joseph Stone Capital, LLC's management. Our responsibility is to express an opinion on Joseph Stone Capital, LLC'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 Joseph Stone Capital, 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 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.

*Lieberman Goldberg & Hymowitz LLP*

Liebman Goldberg & Hymowitz, LLP

We have served as Joseph Stone Capital, LLC's auditor since 2019.

Garden City, New York

February 26, 2020

JOSEPH STONE CAPITAL, LLC  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2019

ASSETS

Assets	
Cash	\$ 310,057
Receivables from Clearing Firm	309,096
Prepaid Expenses	212,703
Commission Advances	166,465
Clearing Deposit	100,000
Loan Receivables	77,781
Right of Use Asset	78,819
Accounts Receivable	47,000
Total Assets	<u>\$ 1,301,921</u>

LIABILITIES AND MEMBER'S CAPITAL

Liabilities	
Subordinated Loan Payable	\$ 120,000
Commissions Payable	301,706
Accounts Payable and Accrued Expenses	219,802
Lease Liability	<u>78,819</u>
Total Liabilities	720,327
Member's Capital	<u>581,594</u>
Total Liabilities and Member's Capital	<u>\$ 1,301,921</u>

See Accompanying Notes to the Financial Statement.

# JOSEPH STONE CAPITAL, LLC

## NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2019

### **Note (1) - Nature of Business:**

Joseph Stone Capital, LLC (the "Company") is a broker-dealer registered with the Securities and Exchange Commission ("SEC"). The Company is also a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corp. ("SIPC"). The Company engages in retail sales conducted on a fully disclosed agency basis, including buying and selling of stocks, options and mutual funds. The Company clears its securities transactions on a fully disclosed basis with another broker-dealer.

### **Note (2) - Summary of Significant Accounting Policies:**

#### **(A) Revenue Recognition:**

The Financial Accounting Standards Board ("FASB") has issued a comprehensive new revenue recognition standard that supersedes most existing revenue recognition guidance under the General Accepted Accounting Principal in the United States of America ("GAAP") (FASB Accounting Standards Codification 606 ("ASC 606")). The Company adopted this standard on January 1, 2018.

The core principle of ASC 606 is that an entity should recognize revenue when it transfers 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. ASU 2014-09 prescribes a five-step process to accomplish this core principle, including:

- Identification of the contract with the customer;
- Identification of the performance obligation(s) under the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the identified performance obligation; and
- Recognition of revenue as (or when) an entity satisfies the identified performance obligation(s).

The Company recognizes revenue upon completion of private placement transactions as this satisfies the only performance obligation identified in accordance with this standard.

Commission revenue and related commission expense are recorded on a trade date basis.

#### **(B) Cash and Cash Equivalents:**

For purposes of the Statement of Cash Flows, the Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. As of December 31, 2019, the Company had no cash equivalents.

**JOSEPH STONE CAPITAL, LLC**  
**NOTES TO FINANCIAL STATEMENT**  
**DECEMBER 31, 2019**

**Note (2) - Summary of Significant Accounting Policies (Continued):**

**(C) 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 reported amounts of revenues and expenses during the period. Actual results could vary from those estimates.

**(D) Income Taxes:**

The Company files income tax returns on the accrual basis as a partnership for federal and state income tax purposes. As such, the Company will not pay any income taxes, as any income or loss will be included in the income tax returns of the individual members. Accordingly, no provision is made for income taxes in the financial statements.

At December 31, 2019, management has determined that the Company had no uncertain tax positions that would require financial statement recognition. This determination will always be subject to ongoing reevaluation as facts and circumstances may require. The Company remains subject to U.S. Federal and state income tax audits for all periods subsequent to and including 2016.

**(E) Concentration of Credit Risk:**

The Company executes, as agent, securities transactions on behalf of its customers. If either the customer or a counter-party fail to perform, the Company may sustain a loss if the market value of the security is different from the contract value of the transaction. The Company as a non-clearing broker does not, handle any customer funds or securities. The responsibility for processing customer activity rests with the Company's clearing firm.

The Company maintains its cash in accounts that, at times, may exceed Federal insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Note (3) - Related Party:**

The Company has a lease with an affiliate to occupy space at \$600 a month. Rent expense due to the affiliate for the year ended December 31, 2019 was \$7,200. In addition, the Company has a loan receivable from the same affiliate in the amount of \$37,480 at December 31, 2019.

**JOSEPH STONE CAPITAL, LLC**  
**NOTES TO FINANCIAL STATEMENT**  
**DECEMBER 31, 2019**

**Note (4) - Net Capital Requirement:**

As a registered broker-dealer, the Company is subject to the SEC's Uniform Net Capital Rule 15c3-1. The Rule requires that the Company maintain minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and that equity capital may not be withdrawn, or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2019, the Company had net capital of \$197,645 which exceeded its requirement of \$34,767 by \$162,878. The Company had a ratio of aggregate indebtedness to net capital of 263.86 to 1 at December 31, 2019.

**Note (5) – Commitments and Contingencies:**

The Company recognizes and measures its leases in accordance with FASB ASC 842, Leases. The Company is a lessee in a noncancelable operating lease for its office space. The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Company recognizes a lease liability and a right of use ("ROU") asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Company uses its incremental borrowing rate. The implicit rates of our lease are not readily determinable and accordingly, we use our incremental borrowing rate based on the information available at the commencement date for all leases. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term. The Company adopted the standard on January 1, 2019.

During November 2018, the Company entered into a 21.5-month Sub-Sublease ("Sublease") Agreement for an additional office space in New York City for the period December 15, 2018 to September 28, 2020.

Amounts reported in the balance sheet as of December 31, 2019 were as follows:

Right of Use Asset	\$78,819
Lease Liability	\$78,819

**JOSEPH STONE CAPITAL, LLC**

**NOTES TO FINANCIAL STATEMENT**

**DECEMBER 31, 2019**

**Note (5) – Commitments and Contingencies (Continued):**

In addition, the Company is involved in various arbitrations arising in the normal course of business. In the opinion of management, the disposition of all such matters should not have a material adverse effect on the Company.

**Note (6) – Subordinated Loan Payable:**

The Company entered into a Subordinated Loan ("Sub Loan") agreement on March 7, 2017 in amount of \$180,000 with interest rate 8.0% per annum and will be matured on February 13, 2023.

During April 2019, the lender forgave principal of \$30,000 and accrued interest of \$12,000 in accordance of the Sub Loan agreement.

As of December 31, 2019, the Company accrued interest payable of \$7,200 in relations to the Sub Loan.

**Note (7) – Subsequent Events:**

Management has evaluated subsequent events through the date the financial statements were available to be issued.