

## **Mainline Securities, LLC**

(A wholly-owned limited liability company of  
Mainline Investment Partners, LLC)

Statement of Financial Condition and Report  
of Independent Registered Public  
Accounting Firm  
December 31, 2019

**Mainline Securities, LLC**  
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Statement of Financial Condition and Report of Independent Registered  
Public Accounting Firm  
December 31, 2019

**Mainline Securities, LLC**  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

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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 01/01/2019 AND ENDING 12/31/19  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Mainline Securities, LLC

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

308 East Lancaster Avenue, Suite 300

(No. and Street)

Wynnewood

(City)

Pennsylvania

(State)

19096

(Zip Code)

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

John Adams

(610) 896-3057

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

BDO USA, LLP

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

Ten Penn Center, 1801 Market Street, Suite 1700 Philadelphia

(Address)

Pennsylvania 19103

(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, John Adams, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Mainline Securities, 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:

Signature \_\_\_\_\_

~~Chief Financial Officer~~

Title

Notary Public

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).*

## Financial Statement

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**Mainline Securities, LLC**  
(A wholly-owned limited liability company of  
Mainline Investment Partners, LLC)

**Statement of Financial Condition**

<i>December 31,</i>	<i>2019</i>
<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$ 204,682
Placement fee receivable	42,188
Prepaid expenses	25,927
<b>Total Current Assets</b>	<b>\$ 272,797</b>
<b>Non Current Assets</b>	
Operating lease right-of-use asset, net	11,747
<b>Total Non Current Assets</b>	<b>11,747</b>
<b>Total Assets</b>	<b>\$ 284,544</b>
<b>Liabilities and Member's Capital</b>	
<b>Current Liabilities</b>	
Accounts payable and accrued expenses	\$ 59,548
Due to affiliated entities	52,398
Operating lease liability	5,781
Deferred revenue	37,500
<b>Total Current Liabilities</b>	<b>\$ 155,227</b>
<b>Non Current Liabilities</b>	
Operating lease liability	6,075
<b>Total Non Current Liabilities</b>	<b>6,075</b>
<b>Total Liabilities</b>	<b>161,302</b>
<b>Member's Capital</b>	<b>123,242</b>
<b>Total Liabilities and Member's Capital</b>	<b>\$ 284,544</b>

**Mainline Securities, LLC**  
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**Notes to Financial Statement**

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**1. Organization**

Mainline Securities, LLC (“Company”) was established on August 18, 2014 and is organized under the laws of the state of Delaware. Effective March 28, 2016 the Company registered as a broker-dealer under the Securities Exchange Act of 1934, as amended. The Company is a member of the Financial Industry Regulatory Authority (“FINRA”). The Company operates under the exemptive provisions of SEC Rule 15c3-3k(2)(i). The Company is wholly-owned by Mainline Investment Partners LLC (“MLIP” or “Member”). The primary business of the Company is to provide assistance in capital raises for private placement offerings and with selling of various financial insurance products.

**2. Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies applied by management in the preparation of the accompanying financial statements.

***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. Actual results could differ from those estimates.

***Deferred Revenue***

The Company enters into placement agreements with sponsors related to private placement of securities which specifies the transaction fees to be paid. Placement fees are earned when an investor is admitted into the issuing entity by the sponsor. Payment of placement fees are due upon acceptance or as stated in the terms of the placement agreement. As of December 31, 2019, the Company has extended the offering period with one of its sponsors into 2020. This fixed fee placement is being recognized as revenue on a prorated basis as each closing occurs and any remaining deferred revenue balance related to this non-refundable fee will be recognized as revenue upon expiration of the offering period. The Company has recorded deferred revenue of \$37,500 representing the allocated portion of fees received for placement agreements that have not yet expired as of December 31, 2019.

***Income Taxes***

The Company is a single-member Limited Liability Company (“SMLLC”) and is treated as a disregarded entity pursuant to Treasury Regulation 301.7701-3 for federal income tax purposes. Generally, disregarded entities are not subject to entity-level federal or state income taxation and, as such, the Company does not provide for income taxes under FASB ASC 740, “Income Taxes”. The Company’s taxable income is reported in the tax return of its single member, MLIP.

Based upon its evaluation, the Company has concluded that there are no significant uncertain income tax positions relevant in the jurisdictions where it is required to file income tax returns requiring recognition in the statement of financial condition. Management monitors proposed and issued tax law, regulations and cases to determine the potential impact to uncertain income tax positions. At December 31, 2019, management had not identified any potential subsequent events that would have a material impact on unrecognized income tax benefits.



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**Notes to Financial Statement**

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The Company believes its tax status as a pass through entity would be sustained under Federal, state, or local income tax examination. The Company is subject to examination by taxing authorities in various jurisdictions. The open tax years subject to examination vary by jurisdiction but in general are the preceding three years. The Company is not currently under examination by any taxing authority.

**Recent Accounting Pronouncements**

On January 1, 2019, the Company adopted ASU 2016-02 Leases, using the modified retrospective method to recognize the right of use asset and lease liability related to the operating lease for office space. The Company elected the package of practical expedients permitted under the transition guidance which allowed the company to carryforward the historical lease classification.

The Company will not record an operating lease right-of-use ("ROU") asset and corresponding lease liability for leases with an initial term of twelve months or less and recognizes lease expense for these leases as incurred over the lease term. The Company does not have a public credit rating and as such used a corporate yield consistent with tenant underwriting for a commensurate company and term of its lease as its incremental borrowing rate in determining the present value of lease payments. Lease expense is recognized on a straight-line basis over the lease term. The Company's lease arrangement does not have lease and non-lease components which are accounted for separately. Adoption of this standard resulted in recording a right of use asset and liability of approximately \$17,000 based on the present value of lease payments over the lease term. As of December 31, 2019, approximately \$5,236 of the Company's operating lease ROU asset had been amortized (see Note 5).

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326)." The updated guidance requires the recognition of credit losses on financial instruments based on an estimate of expected losses, replacing the incurred loss model in the prior guidance. We will adopt the updated accounting guidance prospectively in the first quarter of 2020. The Company does not expect this accounting guidance to have a material impact on its results of operations or financial position.

**3. Liquidity**

The Company has evaluated the guidance in ASC 205-40 "Going Concern". The Company's financial statements have been prepared assuming that it will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business at least beyond a year from the date the financial statements are issued.

The Company has generated net losses since its inception in 2014 and had net cash utilized in operating activities for the year ended December 31, 2019, all of which are indicators of a potential going concern uncertainty. The Company is attempting to improve operations and generate sufficient revenue to attain profitability; however, the Company's short term operating results may not be sufficient to meet the Company's operating obligations through March 2, 2021. To address the Company's potential operating shortfall, the Company intends to accept additional capital contributions from its Member. In February 2020, the Company received a \$45,000 capital contribution from its Member. While the long-term ability of the Company to continue to operate as a going concern is dependent upon the Company's ability to further implement its business plan and generate sufficient revenue to attain profitability, management's plan to accept additional

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**Notes to Financial Statement**

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capital contributions from its Member has alleviated the substantial doubt about the Company's ability to continue as a going concern within one year from the date of issuance of these financial statements.

#### **4. Concentrations**

##### ***Cash Balances***

The Company maintains its cash in a bank account which, at times, may exceed federally insured limits. The Company mitigates this risk by only depositing funds with a major institution and has not experienced any losses from maintaining cash account balances in excess of federally insured limits.

##### ***Placement Fee Receivable***

The Company earns private equity security placement fees when a client is admitted into an issuing fund. For the year ended December 31, 2019, placement fee revenue was primarily generated from five affiliated private funds. The placement fee receivable of \$42,188 shown on the statement of financial condition represents the balance of quarterly payments due from one of these funds.

#### **5. Related Party Transactions**

##### ***Office Sublease***

On December 9, 2016, the Company entered into an office sublease agreement with its Member. Under the terms of the agreement, the annual sublease commenced on December 9, 2016 and will renew automatically for five successive one year periods unless either party gives written notice of termination. The Company has assumed that all renewal options will be exercised.

The following table summarizes the Company's operating lease information including future minimum lease payments under the lease as of December 31, 2019:

Remaining lease term	1.94 years
Discount rate	10%
Future minimum lease payments under the lease were as follows:	
<u>As of December 31, 2019</u>	
2020	\$ 6,651
2021	6,338
Total future minimum lease payments	12,989
Less imputed interest	(1,133)
Total liability	\$ 11,856
<u>Reported as of December 31, 2019</u>	
Current operating lease liability	5,781
Non-current operating lease liability	6,075
Total	\$ 11,856

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**Notes to Financial Statement**

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***Expense Sharing and Administrative Services Agreement***

Effective August 17, 2015, the Company entered into an expense sharing and administrative services agreement with its sole member, MLIP, Mainline Investment Advisers, LLC (“MLIA”), Merion Realty Advisers, LLC (“Merion”), and Mainline Private Wealth, LLC (“MLPW”). MLIP, MLIA, Merion, and MLPW are collectively referred to as “Mainline Provider Affiliates.” Under the terms of the agreement, the Mainline Provider Affiliates employ personnel who provide services to the Company, including management oversight, back office, and similar support, or from time to time may fund certain other expenses related to the other operation of the Company such as facility rental costs, computer and IT costs, among other, to the Company. As of December 31, 2019, \$52,398 was payable to the Mainline Provider Affiliates and are detailed in the accompanying statement of financial condition.

**6. Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC 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 1500%. At December 31, 2019, the ratio was 130.95%. At December 31, 2019, the Company had net capital, as defined, of \$85,568, which was \$78,098 in excess of its required net capital of \$7,470.

The Company is exempt from the calculation of the reserve requirement under Rule 15c3-3k(2)(i) due to the fact that it carries no margin account, promptly transmits all customer funds and delivers all securities received in connection with its activities as a broker-dealer, does not otherwise hold funds or securities for, or owe money or securities to, customers and effectuates all financial transactions between the broker-dealer and its customers through a special account for the exclusive benefit of its customers.

**7. Subsequent Events**

On February 27, 2020, the Company received a capital contribution from its sole member, MLIP, in the amount of \$45,000.