

Acervus Securities, Inc.

Statement of Financial Condition as of December 31, 2020 and Report of Independent Registered Public Accounting Firm

This report is deemed PUBLIC in accordance with Rule 17a-5e(3) under the Securities Exchange Act of 1934.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
ANNUAL AUDITED REPORT
FORM X-17A-5
PART III
FACING PAGE

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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 January 1, 2020 AND ENDING December 31, 2020
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Acervus Securities, Inc.

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

335 Madison Avenue, 25th floor

(No. and Street)

New York

NY

10017

(City)

(State)

(Zip Code)

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

Jeffrey Harpel

717-249-8803

(Area Code – Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Deloitte & Touch LLP

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

555 Mission Street

San Francisco

CA

94105

(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)

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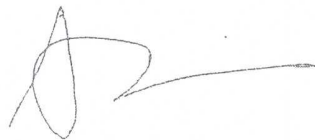
Oath of Affirmation

I, Alastair Cairns, President swear (or affirm) that, to the best my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Acervus Securities, Inc. as of December 31, 2020 are true and correct.

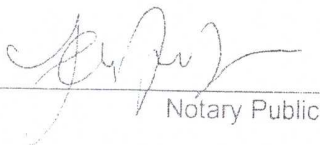
I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None

Signature


Feb 18/21

KIMBERLYN DE JESUS
NOTARY PUBLIC, STATE OF NEW YORK
NO. 01DE6394737
Qualified in Suffolk County
Term Expires August 05, 2023


Notary Public

President

Title

<input checked="" type="checkbox"/>	(a) Facing Page
<input checked="" type="checkbox"/>	(b) Statement of Financial Condition
<input type="checkbox"/>	(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).
<input type="checkbox"/>	(d) Statement of Changes in Financial Condition.
<input type="checkbox"/>	(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
<input type="checkbox"/>	(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
<input type="checkbox"/>	(g) Computation of Net Capital.
<input type="checkbox"/>	(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
<input type="checkbox"/>	(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
<input type="checkbox"/>	(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.
<input type="checkbox"/>	(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
<input checked="" type="checkbox"/>	(l) An Oath or Affirmation.
<input type="checkbox"/>	(m) A copy of the SIPC Supplemental Report (Filed Separately)
<input type="checkbox"/>	(n) Exemption Report and Report of Independent Registered Accounting Firm (Filed Separately)

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder and Board of Directors of
Acervus Securities, Inc.:

Opinion on the Financial Statement

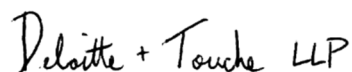
We have audited the accompanying statement of financial condition of Acervus Securities, Inc. (the "Company") as of December 31, 2020, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this 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 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 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 of the financial statement provides a reasonable basis for our opinion.



February 25, 2021

We have served as the Company's auditor since 2019.

Acervus Securities, Inc.
Statement of Financial Condition
As of December 31, 2020

Assets

Cash and cash equivalents	\$	3,638,466
Accounts receivable		9,344
Prepaid expenses and other assets		54,733

Total assets	\$	3,702,543
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Liabilities and stockholder's equity

Accounts payable and accrued expenses	\$	79,767
Due to parent		319,996

Total liabilities		399,763
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Stockholder's equity		3,302,780
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Total liabilities and stockholder's equity	\$	3,702,543
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See notes to financial statements

Acervus Securities, Inc.
Notes to the Statement of Financial Condition
As of December 31, 2020

Note 1: GENERAL, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

General

Company Description

Acervus Securities, Inc. (the Company) was incorporated in Delaware on August 14, 2018 and is a wholly owned subsidiary of Addepar, Inc. (the Parent). The Company's business activities include referrals of investors to private placements, secondary trading of private securities and private funds, referring business/receive referrals from financial institutions, and providing investment analysis and customer due diligence services. The Company is registered with the Securities and Exchange Commission (SEC) as a broker-dealer under the Securities Exchange Act of 1934. The Company is a member of the Financial Industry Regulatory Authority (FINRA) and Securities Industry Protection Corporation (SIPC).

The Company does not maintain client accounts, nor does it hold customer funds or assets. It does not trade, position, make markets in, underwrite, or distribute any security or investment beyond the activities described above. The Company does not transact business in securities with, or for, customers, and does not carry margin accounts, credit balances or securities for any person defined as a "customer" pursuant to Rule 17a-5(c)(4).

Pursuant to Footnote 74 of the SEC Release No. 34-70073 adopting amendments to 17 C.F.R. §240.17a-5 because the Company's business activities are limited to referrals of investors to private placements, secondary trading of private securities and private funds, referring business/receive referrals from financial institutions, and providing investment analysis and customer due diligence services and the Company (1) did not directly or indirectly receive, hold, or otherwise owe funds or securities for or to customers; (2) did not carry accounts of or for customers; and (3) did not carry PAB accounts (as defined in Rule 15c3-3) throughout the most recent fiscal year without exception, the Company has no obligations under Rule 15c3-3.

Summary of Significant Accounting Policies

The Company follows Accounting Principles Generally Accepted in the United States of America (GAAP), as established by the Financial Accounting Standards Board (FASB), to ensure consistent reporting of financial condition, results of operations, and cash flows.

Revenue recognition: The Company recognizes revenue based on the guidance of Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The Company generates revenues from referral fees. Typically, referral fees constitute a single performance obligation, recognized at a point of time when earned. Company also recognizes revenue from interest earned.

Acervus Securities, Inc.
Notes to the Statement of Financial Condition
As of December 31, 2020

Use of estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of 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.

Cash and cash equivalents: The Company defines cash equivalents as highly liquid investments with original maturities of three months or less at date of acquisition that are not held for sale in the ordinary course of business.

Capitalized software costs: The Company capitalized certain external software development costs related to the development of its platform. Such costs are capitalized when development work leads to improvements in the platform that would extend the life or significantly improve the marketability of the platform. Such capitalized costs are included in capitalized software costs, net and are amortized on a straight-line basis over the external subscription term of 12 months. During 2019 \$139,292 of externally developed software costs were capitalized. No costs were capitalized in 2020. Amortization expense related to such costs was \$73,937 in 2020. As of December 31, 2020 the capitalized software development costs were fully amortized.

The Company reviews capitalized software for impairment at least annually or sooner, whenever events or changes in circumstances indicate that the carrying amount of an asset may be impaired and not be recoverable. The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of long-lived assets may not be recoverable in accordance with Accounting Standards Codification (ASC) 360 Property, Plant and Equipment, Accounting for the Impairment or Disposal of Long-Lived Assets.

Income taxes: FASB guidance recognizes the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. Through December 31, 2020, management has determined that there are no material uncertain income tax positions.

Recent Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 – Current Expected Credit Losses ("CECL") which replaces the current incurred loss model used to measure impairment loss with an expected loss model for trade and other receivables. The Company adopted the standard during 2020, under the modified retrospective approach to the earliest period presented. The adoption of ASU 2016-13 did not have an impact on the Company's financial statements.

Note 2: FAIR VALUE INSTRUMENTS

The fair value measurements standard establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Acervus Securities, Inc.
Notes to the Statement of Financial Condition
As of December 31, 2020

Level 2 – Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The carrying amounts of cash, accounts receivable, accounts payable, and accrued expenses approximate their fair values because of the relatively short periods until they mature or are required to be settled.

Note 3: RELATED PARTY TRANSACTIONS

The Company has entered into an expense sharing arrangement with Addepar, Inc., its Parent. Under the agreement the Parent will provide certain administrative and support services to the Company. These include compensation, occupancy, technology, telecommunication and other operating expenses. The Company reimburses the Parent for these expenses. Personnel costs related to software engineers and product managers assigned to the Company are based on the prorated time they work on the Company platform.

The amount payable to the Parent was \$ 319,996 as of December 31, 2020.

The parent allocated the following pro-rata amounts to the Company during the years ended December 31, 2020:

Compensation and benefits	\$	2,295,067
Software expense		59,000
Occupancy and equipment expense		128,000
Other operating expense		133,259
Total	\$	<u>2,615,327</u>

The Parent has adopted a stock option plan under which it grants to its employees, including those employees which are shared with the Company under the Services Agreement, options to purchase the Parent's stock. None of the option awards granted or the related expenses of the Parent are allocated to the Company as the parties to the Services Agreement agree that awards are granted for the individual's support of the Parent's long term strategic goals, profitability, and growth, regardless of the individual's role within the organization.

In May 2019, the Company entered into a software development and a subscription agreement with a company affiliated with the Chairman of the Board of Directors of the Parent. The annual subscription fee under the

Acervus Securities, Inc.
Notes to the Statement of Financial Condition
As of December 31, 2020

agreement was \$30,000 and software development costs were \$139,292. Amortization expense related to such costs was \$73,937 in 2020, recorded as occupancy and equipment expense in the Company Statement of Operations.

Note 4: COMMITMENTS, CONTINGENCIES AND IDEMNIFICATIONS

Legal Matters

In the normal course of business the Company may be subject to various regulatory matters, litigation, claims and regulatory examinations. It is the Company's policy to vigorously defend against these potential matters, and management believes that their ultimate outcome will not have a material effect on the Company's financial position, results of its operations or net cash flows. At December 31, 2020, there were no such matters outstanding.

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties that provide indemnifications under certain circumstances. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. Management of the Company expects the risk of any future obligation under these indemnifications to be remote.

Regulatory Matters

The Company operates as a SEC registered securities broker-dealer and Financial Industry Regulatory Authority ("FINRA") member. Accordingly, the Company is subject to periodic regulatory examinations and inspections. Compliance and private company transaction issues that are reported to regulators, such as FINRA and the SEC, by dissatisfied clients or others are investigated by such regulators, and may, if pursued, result in formal claims being filed against the Company by clients or disciplinary action being taken against the Company or its employees by regulators. Any such claims or disciplinary actions that are decided against the Company could have a material impact on the financial results of the Company. Management is not aware of any such claims or disciplinary actions as of December 31, 2020.

Note 5: 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 15 to 1. At December 31, 2020, the Company had net capital of \$3,238,703 which was \$3,212,052 in excess of its required net capital of \$26,651; and the Company's ratio of aggregate indebtedness to net capital was 0.12 to 1 ratio.

Note 6: INCOME TAX

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred since inception through the year ended December 31, 2020. As a result of this negative evidence management has determined that a full valuation allowance on its federal and state deferred tax assets is appropriate. As a result of this valuation allowance the Company recorded no income tax expense or benefit for the year ended December 31, 2020.

Acervus Securities, Inc.
Notes to the Statement of Financial Condition
As of December 31, 2020

The components of the net deferred tax assets are approximately as follows as of December 31, 2020:

Net operating loss	\$	1,570,465
Accrued Liabilities		18,220
Amortization		24,493
		<hr/>
Net deferred taxes		1,613,178
Less: valuation allowance		(1,613,178)
		<hr/>
Total net deferred tax assets	\$	-
		<hr/>

The valuation allowance increased by \$996,752 during 2020.

As of December 31, 2020, the Company had net operating losses carryforwards for federal purposes of approximately \$4,779,196, and net operating losses carryforwards for state tax purposes of approximately \$5,964,068. The federal net operating losses carryforward indefinitely while the state carryforwards will expire beginning in the years 2039, unless previously utilized.

Management has determined that no unrecognized tax benefit is required as of December 31, 2020. We are subject to taxation in the United States and various states jurisdictions. As of December 31, 2020, years since inception are subject to examination by the tax authorities.