

ROOSEVELT & CROSS, INCORPORATED

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

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

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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: Roosevelt and Cross, Incorporated

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

One Exchange Plaza / 55 Broadway, 22nd Floor

(No. and Street)

New York

New York

10006

(City)

(State)

(Zip Code)

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

David Gilman (212) 504 - 9360

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

WithumSmith+Brown, PC

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

1411 Broadway, 23rd Floor

New York

New York

10018

(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 (06-02)

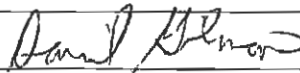
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## OATH OR AFFIRMATION

I, David Gilman, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Roosevelt and Cross, Incorporated, as of December 31, 20 19, 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:

MATTHEW J CAMPOLETTANO  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01CA6384904  
Qualified in Suffolk County  
My Commission Expires 12-24-2022

  
Notary Public



Signature

Chief Financial Officer

Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (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).**

**ROOSEVELT & CROSS , INCORPORATED**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Roosevelt & Cross, Incorporated

### Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Roosevelt & Cross, Incorporated, (the "Company"), as of December 31, 2019, and the related statements of income, changes in stockholders' 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 the Company as of December 31, 2019, and the results of its operations and its cash flows for the year ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

### Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for leases on January 1, 2019 due to the adoption of ASC Topic 842.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 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 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.

### Supplementary Information

The supplementary information contained in Schedule I has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplementary information is the responsibility of the Company's management. Our audit procedures included determining whether the supplementary 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 supplementary information. In forming our opinion on the supplementary information, we evaluated whether the supplementary information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.



We have served as the Company's auditor since 2015.

February 21, 2020

**ROOSEVELT & CROSS, INCORPORATED**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31 2019**

**ASSETS**

Cash and cash equivalents	\$ 147,476
Due from clearing broker	47,383
Receivables from joint accounts	4,339,849
Interest receivable - state and municipal government obligations	123,043
Securities owned, state and municipal government obligations at fair value	25,008,016
Options, at fair value	2,922
Good faith receivables	497,080
Clearing deposit and letter of credit	550,093
Prepaid expenses and other assets	482,121
Loans receivable - employees	16,619
Operating lease- right of use assets	3,346,718
Property and Equipment, at cost, less accumulated depreciation and amortization of \$ 1,368,867	58,205
Deposits	<u>10,062</u>
 Total assets	 <u>\$ 34,629,587</u>

The accompanying notes are an integral part of these financial statements.

**ROOSEVELT & CROSS, INCORPORATED**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31 2019**

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Due to Clearing Broker	\$11,347,884
Operating lease liabilities	3,346,718
Accrued expenses and taxes payable	<u>305,435</u>
 Total liabilities	 <u>15,000,037</u>
 Commitments and Contingencies	
 Stockholders' Equity	
Common stock, \$10 par value; 500,000 shares authorized; 121,311 shares issued and outstanding	 1,213,110
Additional paid-in capital	13,672,382
Retained earnings	<u>4,744,058</u>
 Total stockholders' equity	 <u>19,629,550</u>
 Total liabilities and stockholders' equity	 <u>\$ 34,629,587</u>

The accompanying notes are an integral part of these financial statements.

**ROOSEVELT & CROSS, INCORPORATED**  
**STATEMENT OF INCOME**  
**YEAR ENDED DECEMBER 31, 2019**

Income	
Trading profits	\$10,868,846
Underwriting Income	2,304,397
Management/Placement Fees	665,017
Reimbursement Expenses	521,968
Interest	1,376,849
Other income	89,393
	<hr/>
Total income	<u>\$15,826,470</u>
 Operating Expenses	
Employee compensation and benefits	9,453,580
Floor brokerage , exchange and clearance fees	1,000,638
Communications and data processing	1,757,301
Interest	550,345
Leases	647,651
Other expenses	1,728,915
Depreciation and amortization	<u>95,968</u>
	<hr/>
Total operating expenses	<u>15,234,398</u>
 Income before income taxes	592,072
 Income Taxes	<u>80,952</u>
 Net Income	<u>\$511,120</u>

The accompanying notes are an integral part of these financial statements.



**ROOSEVELT & CROSS, INCORPORATED**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**YEAR ENDED DECEMBER 31, 2019**

	Common Stock, \$10 Par Value		Additional Paid in Capital	Retained Earnings	Total Stockholders' Equity
	<u>Number of Shares</u>	<u>Amount</u>			
Balance at January 1, 2019	145,834	\$1,458,340	\$16,538,779	\$4,986,136	\$22,983,255
Net income				511,120	511,120
Sale of shares of common stock	1,230	12,300	181,548		193,848
Redemption of shares of common stock	<u>(25,753)</u>	<u>( 257,530)</u>	<u>(3,047,945)</u>	<u>(753,198)</u>	<u>(4,058,673)</u>
Balance at December 31, 2019	<u>121,311</u>	<u>\$1,213,110</u>	<u>\$13,672,382</u>	<u>\$4,744,058</u>	<u>\$19,629,550</u>

The accompanying notes are an integral part of these financial statements.

**ROOSEVELT & CROSS, INCORPORATED**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2019**

**Cash Flows From Operating Activities**

Net income	\$ 511,120
Adjustments to reconcile net income to net cash provided by operating activities	
Miscellaneous expenses- Not requiring cash outlay	(5,355)
Depreciation and amortization	95,968
Loss on disposal of fixed assets	16,757
Non cash lease expense	316,217

**Changes in operating assets and liabilities**

Due From Clearing Broker	(21,898)
Receivables from joint accounts	(3,981,721)
Interest receivable - state and municipal government obligations	85,033
State and municipal government obligations at fair value	4,399,639
Options, at fair value	(1,945)
Good faith deposits	(497,080)
Clearing deposit and letter of credit	(25)
Deposits	245
Prepaid expenses and other assets	(75,517)
Loans receivables- Employees	(769)
Operating Lease Liability	(316,217)
Due to broker	3,100,479
Accrued expenses and taxes payable	(293,897)
Net Cash provided by operating activities	<u>3,331,034</u>

**Cash Flows from Financing Activities**

Sale of common stock	193,848
Redemption of common stock	<u>(4,058,673)</u>
Net cash used in financing activities	<u>(3,864,825)</u>

Net decrease in cash and cash equivalents	(533,791)
Cash and cash equivalents - beginning	<u>681,267</u>
Cash and cash equivalents - ending	\$ <u>147,476</u>

**Supplemental Disclosures of Cash Flow Information**

Interest paid	<u>\$612,153</u>
Income Taxes paid	<u>\$52,635</u>
Establishment of operating lease asset/ liability	<u>\$651,932</u>
Leases added during 2019	<u>\$3,011,003</u>

The accompanying notes are an integral part of these financial statements.

**ROOSEVELT & CROSS, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 - NATURE OF OPERATIONS**

Roosevelt & Cross, Incorporated ("the Company"), founded in 1946, is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Agency ("FINRA"), formerly the National Association of Securities Dealers, Inc. The Company is a leading senior manager of both negotiated and competitively sold bond issues in New York State, New Jersey, and the New England States.

The Company specializes in the origination, structuring, underwriting, trading and sale of tax-exempt issues sold in the Northeast. The Company's principal office is in New York City, with branch offices in Buffalo, NY, East Hartford, CT, Warren, NJ, Providence, RI and Boston, MA.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NOTE 2 -**

**Basis of Accounting**

The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which involve the application of accrual accounting; accordingly, the financial statements reflect all material receivables, payables, and other liabilities.

**Cash and Cash Equivalents**

Cash and cash equivalents are defined as highly liquid investments, consisting of money market fund investments and time deposits with original maturities of three months or less when acquired.

**Securities Owned, State and Municipal Government Obligations**

Investments in marketable debt securities owned and securities sold, not yet purchased, and are carried at fair value, with unrealized gains and/or losses recognized in the current earnings.

**Fair Value**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurements.

**ROOSEVELT & CROSS, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Due to Clearing Broker**

The Company clears all of its brokerage transactions through a broker-dealer on a fully disclosed basis. Due to broker relates to obligations to the Company's clearing broker from a compilation of all securities activities.

**Due From Clearing Broker**

The Company has an option investment account at another Broker Dealer. Due From Clearing Broker represents the cash balance as of December 31, 2019.

**Property and Equipment, Net**

Property and equipment are stated at cost, less accumulated depreciation and amortization. The costs of additions and improvements are capitalized and expenditures for repairs and maintenance are expensed as incurred. Fully depreciated assets are retained in property and depreciation accounts until they are removed from service. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation and amortization are removed from the accounts and the resulting gains or losses are included in operations. Depreciation of property and equipment is accounted for on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is calculated by the straight-line method over the shorter of the term of the related lease or the useful lives of the improvements.

**Clearing Deposits**

As of December 31, 2019 the Company had two security deposits. One is for \$500,000 which is maintained by the clearing broker. The other is \$50,093 for a security deposit for The Company's New York City office.

**Impairment of Long-Lived Assets**

In accordance with FASB Accounting Standard Codification ("ASC") 360, long-lived assets, including property and equipment and intangible assets subject to amortization, are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate the carrying amount may not be recoverable through future undiscounted cash flows. An impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

**ROOSEVELT & CROSS, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Redemption of the Company's Common Stock**

The Company issues and redeems its shares of common stock to its employees at their book value, which approximates fair value determined in accordance with the Stockholder Agreement. The sales proceeds of shares redeemed to an employee by the Company is applied first to its par value, next to additional paid-in capital equal to the amount credited earlier on issuance to the employee based on a first-in first out basis, and the balance of the redemption amount if any, to retained earnings.

**Revenue Recognition**

The Company recognizes 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 contracts(s) with a customer, (b) identify the performance obligation in the contract, (c) determine the transactions price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies the performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

**Significant judgments**

Revenue from contracts with customers includes instances where the Company acts as an underwriter for business and government entities. The recognition and measurement of revenue is based on the assessment of individual contract terms. Significant judgment is required to determine whether performance obligations are satisfied at a point in time or over time, how to allocate transaction prices where multiple performance obligations are identified, when to recognize revenue based on the appropriate measure of the Company's progress under the contract and whether constraints on variable consideration should be applied due to uncertain future events.

**ROOSEVELT & CROSS, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Underwriting Income**

The Company underwrites securities for business entities and governmental entities that want to raise funds through a sale of securities. This includes management placement fees associated with certain underwritings. Underwriting income is earned from the sale of the securities from the underwriting. Underwriting fees and income are both built into the underwriting and is recorded once all the bonds are sold. The transactions represent one performance obligation, which is the sale of the bonds. The Company recognizes its share of the revenue when all the securities are sold. The Company believes that this date is the appropriate point in time to recognize the revenue for securities underwriting transactions as there are no significant actions which the Company need to take subsequent to this date.

Underwriting costs that are deferred under the guidance in FASB ASC 940-340-25-3 are recognized in expense at the time the related revenues are recorded.

**Management Placement Fees Income**

The fee income is related to certain underwriting where the Company is the lead underwriter. The fee is built into the underwriting at the time the underwriting is negotiated with the issuer. The fee is recorded when the underwriting is settled, after all the bonds are sold. The Company believes the performance obligation for providing management placement services is satisfied when the bonds are sold because the customer is receiving and consuming the benefits at that point.

**Receivables and Contract Balances**

Receivables arise when the Company has an unconditional right to receive payment under a contract with a customer and are derecognized when the cash is received. As of January 1, 2019 the receivables balance was \$0.00. At December 31, 2019, there were receivables of \$0.00 reported in the statement of financial condition.

Contract assets arise when the revenue associated with the contract is recognized prior to the Company's unconditional right to receive payment under a contract with a customer (i.e. unbilled receivable) and are derecognized when either it becomes a receivable or the cash is received.

Contract liabilities arise when customers remit contractual cash payments in advance of the Company satisfying its performance obligations under the contract and are derecognized when the revenue associated with the contract is recognized when the performance obligation is satisfied.

As of January 1, 2019 and during the year, the Company had no contract assets or contract liabilities. As of December 31, 2019, the Company had no contract assets or contract liabilities.

**ROOSEVELT & CROSS, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Reimbursement Expense**

Reimbursement expenses are expenses related to an underwriting where the Company is the lead underwriter. When the underwriting is settled, the underwriting expenses are recorded as income. The Company is a principal for these transactions because the Company obtains control of these services and combines them as part of delivering on its performance obligation.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes**

The Company has elected to have its income taxed under Section 1362 (Sub-chapter S) of the Internal Revenue Code of 1986 and applicable state statutes, which provide that in lieu of corporate income taxes, the stockholders include their proportionate share of the Company's taxable income or loss on their individual income tax returns. Accordingly, no provision for federal or regular state income taxes is reflected in the financial statement. However the Company is subject to New York City General Corporation Tax and various minimum state filing fees for which provision has been made.

The stockholders and members of the Company have concluded that the Company is a pass-through entity and there are no uncertain tax positions that would require recognition in the financial statements. If the Company was to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The stockholders' conclusion regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors. Generally, federal and state authorities may examine the Company's tax returns for three years from the date of filing; consequently, the respective tax returns for years prior to 2016 are no longer subject to examination by tax authorities.

**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, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

**ROOSEVELT & CROSS, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**New Accounting Pronouncements**

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of credit losses on financial instruments*, which amends the FASB's guidance on the impairment of financial instruments. The ASU adds to United States generally accepted accounting principals ("U.S. GAAP") an impairment model (known as the current expected credit loss ("CECL") model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of lifetime expected credit losses, which the FASB believes will result in more timely recognition of such losses. The ASU is also intended to reduce the complexity of U.S. GAAP by decreasing the number of credit impairment models that entities use to account for debt instruments. Further the ASU makes targeted changes to the impairment model for available-for-sale debt securities. The new CECL standard is effective for annual reporting periods beginning after December 15, 2019, and interim periods therein. Management is currently evaluating the effect of adopting the new standard and expects that the impact to the Company's financial statements will be minimal.

**LEASES**

The Company recognizes and measures its leases in accordance with FASB ASC 842, Leases. The Company is a lessee in several noncancellable operating leases, for office space, computers and other office equipment. 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 leases 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.



**ROOSEVELT & CROSS, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

The Company has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. We recognize lease cost associated with our short term leases on a straight-line basis over the lease term.

Other information related to leases as of December 31, 2019 are as follows:

Weighted average remaining operating lease term	2.75 years
Weighted average discount rate of operating leases	7.0%

The components of lease costs for the year ended December 31, 2019 are as follows:

Operating lease cost	598,029
Variable lease cost	<u>49,622</u>
Total lease cost	647,651

**NOTE 3 RECEIVABLES FROM JOINT ACCOUNTS**

The Company acts as either the managing or co-managing underwriter of various underwriting issuances and subsequent sales of State and Municipal Obligations. The Company, as managing underwriter, enters the bid for the joint account and if awarded the bonds, maintains the records of the underwriting group. As managing underwriter, the Company purchases bonds from the issuer and in turn uses the bonds as collateral with their clearing broker for providing the funds. The securities held in the joint accounts are measured at fair value. See Note 5 for discussion of fair value measurements. At December 31, 2019, the amount advanced on behalf of joint account participants was \$4,339,849. Good Faith Deposits represent deposits made with municipalities for a prospective underwriting of bonds. Good Faith Deposits totaled \$497,080 at December 31, 2019.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Major classes of property and equipment consist of the following:

	<b>Estimated Useful life - Years</b>	<b>2019</b>
Furniture and fixtures	7 - 10	\$ 416,602
Equipment	7 - 10	171,942
Leasehold improvements	Term of lease	639,537
Computer Software	7 - 10	198,991
		<u>1,427,072</u>
Less: accumulated depreciation and amortization		<u>(1,368,867)</u>
Net property and equipment		<u>\$ 58,205</u>

The depreciation and amortization expense for the year ended December 31, 2019 aggregated \$95,968. The Company had a small disposal expense totaling \$16,757 for the year ended December 31, 2019.

**ROOSEVELT & CROSS, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 - FAIR VALUE MEASUREMENTS**

The Company accounts for marketable debt securities in accordance with FASB ASC 820, "Fair Value Measurements and Disclosures". FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted observable quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

**Basis of Fair Value Measurement**

- |         |                                                                                                                                                                                                                                                      |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;                                                                                                            |
| Level 2 | Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. |
| Level 3 | Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.                                                                                                                                   |

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following table presents by level, within the fair value hierarchy the Company's investment assets at fair value, as of December 31, 2019. As required by FASB ASC 820, investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

Level 2 investment values are determined by supply and demand and the demand is driven by a myriad of factors some of which are credit rating, maturity, call or put features, sources of interest and principal payments and geopolitical risk. The values used by the Company for financial reporting purposes are based on management review of matrix pricing data which reflect

**ROOSEVELT & CROSS, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)**

**Basis of Fair Value Measurement (Continued)**

the prices of bonds with similar interest rates, maturity and credit rating, and then make judgments based on that data along with assessment of the other factors above, not captured in matrix pricing, that affect the likely price that would be obtained upon sale.

<u>Description</u>	<u>12/31/19</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
State and Municipal Government Obligations	\$25,008,016		\$25,008,016	
Options	<u>\$2,922</u>	<u>\$2,922</u>	<u>0</u>	
	<u>\$25,010,938</u>	<u>\$2,922</u>	<u>\$25,008,016</u>	
State and Municipal Government Obligations - on behalf of joint account participants	<u>\$ 4,339,849</u>		<u>\$4,339,849</u>	

Approximately 90% of the Company's customer base located in the northeast section of the United States of America. There were no transfers among Levels 1, 2, or 3 during the year

**NOTE 6 - RELATED PARTY TRANSACTIONS**

The Company has loans receivable from two employees aggregating \$16,619 as of December 31, 2019. All loans are payable on demand and interest is charged at 2% per annum.

In 2019, employees purchased or sold the following company stock: 1,230 shares purchased and 25,753 shares sold.

**ROOSEVELT & CROSS, INCORPORATED**  
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**NOTE 7 - NET CAPITAL REQUIREMENTS**

As a registered municipal securities broker and member of the Financial Industry Regulatory Authority, Inc., (FINRA), the Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule which requires that the Company maintain minimum net capital, as defined, of 6 2/3% of aggregate indebtedness, as defined, or \$250,000, whichever is greater. At December 31, 2019, the Company had net capital of \$16,130,215 which exceeded the requirements by \$15,880,215. The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 as the Company's activities are limited to clearing all transactions with and for customers on a fully disclosed basis with a clearing broker. Per the clearing agreement, the Company should maintain at least \$1,000,000 of net capital.

**NOTE 8 - ACCRUED EXPENSES AND TAXES PAYABLE**

Accrued expenses and taxes payable consist of the following:

Accrued clearing and interest	\$126,199
Payable accrued SIPC fees	12,000
Accrued professional fees	95,280
Accounts Payable	12,701
Deferred rent	8,046
Syndicate expenses payable	9,050
Other accrued expenses	<u>42,159</u>
Total	<u>\$ 305,435</u>

**NOTE 9 - CONCENTRATIONS OF CREDIT RISK**

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of non-payment for a sale or non-receipt of security is reduced through the guarantees by the Depository Trust Clearing Corporation ("DTCC"). Credit risk involving transactions with non-DTCC eligible counter-parties are limited by Receive Versus Payments/Delivery Versus Payments clearance methods. The risk of default by an issuer of securities is limited by the Company's policy to review, as necessary, the credit standing of each issuing entity.

**ROOSEVELT & CROSS, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 9 - CONCENTRATION OF CREDIT RISK (Continued)**

Financial instruments that potentially subject the Company to concentrations of credit risk include unsecured cash. At December 31, 2019 the Company had cash deposits with one bank that is in excess of federally insured amount by approximately \$24,000.

**NOTE 10 - OTHER RECEIVABLES**

At December 31, 2019, the Company had an open receivable in the amount of \$8,329,612 for the State or Municipal bonds purchased and/or sold on a when-issued basis and not settled as of December 31, 2019. This amount is shown on the balance sheet as an offset against Due To Clearing Broker.

**NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES**

**Operating Leases**

The Company is obligated under various leases for office space located in Boston, MA, Providence, RI, Warren, NJ, Buffalo, NY and New York, NY. The leases range from one to seven years in duration.

These leases generally contain renewal options for periods ranging from two to five years. Because the Company is not reasonably certain to exercise some of these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments. The Company's leases do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments plus, for many of the Company's leases, variable payments. The Company's office space leases require it to make variable payments for the Company's proportionate share of the building's property taxes, insurance, and common area maintenance. These variable lease payments are not included in lease payments used to determine lease liability and are recognized as variable costs when incurred.

**NOTE 11- COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

**Operating leases-Continued**

The Company's future minimum lease commitments under real estate leases are as follows:

<u>Year End</u> <u>December 2019</u>	
2020	\$741,506
2021	739,418
2022	665,589
2023	620,518
2024	620,518
Thereafter	<u>1,034,198</u>
	\$4,421,747
Less: Interest	<u>1,075,030</u>
Liability	\$3,346,717

Rent expense for the year ended December 31, 2019 amounted to \$604,079

**ROOSEVELT & CROSS, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

**Profit Sharing Plan**

The Company is the sponsor of a profit sharing plan for the benefit of its employees. Participants must be 21 years of age or older and have completed one year of service. All contributions are totally discretionary and are allocated based on a participant's eligible salary in ratio to total compensation of all eligible participants.

For the year ended December 31, 2019, the Company made a contribution of \$669,913.

The Company also sponsors a 401(k) Profit Sharing Plan under Section 401(k) of the Internal Revenue Code, which provides tax-deferred salary deductions for eligible employees. Participants must be 21 years of age or older and have completed 1 year of service to be eligible to make voluntary contributions (not to exceed federally determined maximum allowable amount) to the plan. The Company may make contributions for a plan year designated as "qualified non elective contributions" and allocate them to non-highly compensated employees to help the plan pass one or more annually required Internal Revenue Code nondiscrimination tests.

**NOTE 12- Regulatory Matters**

On October 22, 2018, the SEC issued a formal order of investigation to the Company compelling witnesses by subpoena to testify and produce books, records, and other relevant documents. The investigation involves potential violations of MSRB rules and the Securities Exchange Act of 1934 in connection with the sale and purchase of municipal bonds involving certain accounts. Three current employees and two former employees of the Company have testified before the SEC. The Company has entered into several tolling agreements with the SEC, tolling and suspending the statute of limitations for the period beginning on January 1, 2019 through September 30, 2020. The Company and its attorneys are vigorously defending their position and are in preliminary settlement stages. It is not appropriate to estimate a range of loss as the outcome is uncertain.

The Company is freezing redemptions by shareholders until the above matter is resolved.

## **SUPPLEMENTARY INFORMATION**



# SCHEDULE I

## ROOSEVELT & CROSS, INCORPORATED COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15C3-1 OF THE SECURITIES AND EXCHANGE COMMISSION AS OF DECEMBER 31, 2019

Total stockholders' equity qualified for net capital	\$ 19,629,550
Deductions or charges	
Non-allowable assets	
Net book value of fixed assets	58,205
Prepaid expenses and other current assets	1,042,276
Loans receivable - employees	<u>16,619</u>
Total non-allowable assets	<u>1,117,100</u>
Net capital before haircuts on securities positions	<u>18,512,450</u>
Haircuts	
Options	438
Undue Concentration	7,870
State and municipal government obligations	<u>2,373,927</u>
Total haircuts	<u>2,382,235</u>
Net capital	<u>\$16,130,215</u>
<b>Computation of Basic Net Capital Requirement</b>	
Minimum net capital required - 6 2/3% of	
Total aggregate indebtedness	<u>\$ 20,362</u>
Minimum dollar net capital requirement of reporting dealer	<u>\$250,000</u>
Net capital requirement	<u>\$250,000</u>
Excess net capital	<u>15,880,215</u>
(Net capital less net capital requirement)	
Excess net capital at 1000%	
(Net capital less greater of 10% of aggregate indebtedness or 120% of minimum capital requirement)	<u>\$ 15,830,215</u>

**SCHEDULE I***(Continued)*

**ROOSEVELT & CROSS, INCORPORATED**  
**RECONCILIATION OF NET CAPITAL TO SUBMITTED UNAUDITED NET**  
**CAPITAL AND COMPUTATION OF AGGREGATE INDEBTEDNESS AS**  
**OF DECEMBER 31, 2019**

**Reconciliation of Net Capital to Submitted Unaudited Net Capital**

Net capital per unaudited X17A-5	<u>\$16,130,215</u>
Net capital per audited report	<u>\$16,130,215</u>

**Computation of Aggregate Indebtedness**

Aggregate indebtedness liabilities	
Accrued expenses and taxes payable	<u>\$305,435</u>
Total aggregate indebtedness	<u>\$305,435</u>
Percentage of aggregate indebtedness to net capital	<u>1.89%</u>
Percentage of aggregate indebtedness to net capital after	
Anticipated capital withdrawals	<u>2.26%</u>

See report of independent registered public accounting firm

**SCHEDULE I**

**ROOSEVELT & CROSS, INCORPORATED**

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS AND INFORMATION  
RELATING TO POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15C3-3 OF THE  
SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2019**

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(ii) of the Rule. Accordingly there are no items to report under the requirement of this rule.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders  
of Roosevelt & Cross, Incorporated

We have reviewed management's statements, included in the accompanying Rule 15c3-3 Exemption Report pursuant to SEC Rule 17a-5, in which (1) Roosevelt & Cross, Incorporated (the "Company") identified the following provisions of 17 C.F.R. §240.15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. §240.15c3-3: (1) (2)(ii) (the "exemption provisions") and (2) the Company stated that it met the identified exemption provisions throughout the most recent fiscal year without exception. The Company's management is responsible for compliance with the exemption provisions 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 the Company's compliance with the exemption provisions. 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 provisions set forth in Rule 15c3-3 under the Securities Exchange Act of 1934.

*WithumSmith+Brown, PC*

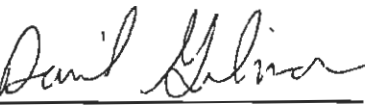
February 21, 2020

**ROOSEVELT & CROSS**  
**INCORPORATED**

ONE EXCHANGE PLAZA, 55 BROADWAY  
NEW YORK, N.Y. 10006  
212-344-2500

Annual Exemption Report  
For the year ended December 31, 2019

To the best of our knowledge and belief, Roosevelt & Cross, Incorporated, a non-carrying broker-dealer, is exempt from Rule 15C3-3 under paragraph (k) (2) (ii), namely a broker-dealer whose customer transactions are cleared through another broker-dealer on a fully-disclosed basis. Roosevelt & Cross, Incorporated met the identified exemption provision throughout the most recent year ended December 31, 2019 without exception.

By: 

David Gilman  
Chief Financial Officer

**ROOSEVELT & CROSS, INCORPORATED**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

To the Board of Directors and Stockholders of  
Roosevelt & Cross, Incorporated

We have performed the procedures included in Rule 17a-5(e)(4) under the Securities Exchange Act of 1934 and in the Securities Investor Protection Corporation (SIPC) Series 600 Rules, which are enumerated below, and were agreed to by Roosevelt & Cross, Incorporated (Company) and the SIPC, solely to assist you and the SIPC in evaluating the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7) for the year ended December 31, 2019. Management of the Company is responsible for its Form SIPC-7 and for its compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 entries noting no differences;
2. Compared the Total Revenue amounts reported on the Annual Audited Report Form X-17A-5 Part III for the year ended December 31, 2019, with the Total Revenue amounts reported in Form SIPC-7 for the year ended December 31, 2019 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; and
5. Compared the amount of any overpayment (if applicable) applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences.

We were not engaged to, and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Company's compliance with the applicable instructions of the Form SIPC-7 for the year ended December 31, 2019. Accordingly, we do not express such an opinion or conclusion. 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 Company and the SIPC and is not intended to be and should not be used by anyone other than these specified parties.

*WithumSmith+Brown, PC*

February 21, 2019

**ROOSEVELT & CROSS, INCORPORATED**  
**SCHEDULE OF ASSESSMENT AND PAYMENTS TO SECURITIES INVESTOR**  
**PROTECTION CORPORATION (SIPC) PURSUANT TO RULE 17A-5(e)(4)**  
**YEAR ENDED DECEMBER 31, 2019**

General assessment	\$ 21,413
Less:	
Payments made with SIPC-6: July 16, 2019	<u>12,653</u>
Total assessment balance due	
Determination of SIPC net operating revenues and general assessment	<u>\$ 8,760</u>
Total revenue (Focus, Statement of Income (Loss), Part IIA Line 9)	<u>\$15,826,470</u>
Deductions	
Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions	1,000,638
The greater of:	
Total interest and dividend expense (Focus Line 22/Part IIA, Line 13 plus interest and dividend expense deducted in determining total revenue above) but not in excess of total interest and dividend income	
40% of margin interest earned on customers securities accounts (40% of FOCUS line 5)	<u>550,345</u>
Total deductions	<u>(1,550,983)</u>
SIPC net operating revenues	<u>\$14,275,487</u>
General assessment @.0015	<u>\$ 21,413</u>