

Fortrend Securities, Inc.

Annual Audit Report

June 30, 2018

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

OMB APPROVAL

OMB Number: 3235-0123
Expires: August 31, 2020
Estimated average burden
hours per response . . . 12.00

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

SEC FILE NUMBER

8-66043

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 7/01/17 AND ENDING 6/30/18
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER: Fortrend Securities, Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

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

Level 41, 55 Collins Street

(No. and Street)

Melbourne, VIC, Australia 3000

(City)

(State)

(Zip Code)

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

Joseph Forster

613 9650 8400

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst Wintter & Associates LLP

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

675 Ygnacio Valley Road, Suite A200

(Address)

Walnut Creek

(City)

CA

(State)

94596

(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)

OATH OR AFFIRMATION

I, Joseph Forster, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Fortrend Securities, Inc., as of June 30, 2018, are true and correct. I further swear (or affirm) that neither the Company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None



Notary Public

Affirmed before me:

DAVID LEONARD BAILEY
NOTARY PUBLIC
MELBOURNE
VICTORIA
AUSTRALIA

Signature and Title



This report contains (check all applicable boxes):

- ☒ (x) (a) Facing page.
- ☒ (x) (b) Statement of Financial Condition.
- ☒ (x) (c) Statement of Income (Loss).
- ☒ (x) (d) Statement of Cash Flows.
- ☒ (x) (e) Statement of Changes in Stockholders' Equity.
- ☐ () (f) Statement of Changes in Subordinated Liabilities (not applicable).

- ☒ (x) (g) Computation of Net Capital
Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934.
- ☐ () (h) Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934. (not applicable)
- ☐ () (i) Information Relating to the Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934 (not applicable).
- ☒ (x) (j) A Reconciliation, including Appropriate Explanations, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Rule 15c3-3 (not applicable).
- ☐ () (k) A Reconciliation Between the Audited and Unaudited Consolidated Statements of Financial Condition With Respect to Methods of Consolidation (not applicable).
- ☒ (x) (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
- ☒ (x) (o) Review report on management's assertion letter regarding (k)(2)(ii) exemption.
- ☒ (x) (p) Management's assertion letter regarding (k)(2)(ii) exemption.

Fortrend Securities, Inc.

June 30, 2018

Table of Contents

Report of Independent Registered Public Accounting Firm	1
Statement of Financial Condition	2
Statement of Income	3
Statement of Changes in Shareholder's Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6
Supplemental Information	
Schedule I:	
Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission	
Reconciliation with Company's Net Capital Computation	12
Review Report of Independent Registered Public Accounting Firm	13
SEA 15c3-3 Exemption Report	14

675 Ygnacio Valley Road, Suite A200
Walnut Creek, CA 94596

(925) 933-2626
Fax (925) 944-6333

Report of Independent Registered Public Accounting Firm

To the Shareholder
Fortrend Securities, Inc.

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Fortrend Securities, Inc. (the "Company") as of June 30, 2018, the related statements of income, changes in shareholder's equity, and cash flows for the year then ended, and the related notes and schedule I (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of Fortrend Securities, Inc. as of June 30, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 Fortrend Securities, Inc. 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.

Supplemental Information

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

Ernst Winter & Associates LLP

We have served as Fortrend Securities, Inc.'s auditor since 2003.
Walnut Creek, California
August 28, 2018

Fortrend Securities, Inc.

Statement of Financial Condition

June 30, 2018

Assets	
Cash	\$ 749,895
Deposit with clearing broker	6,892
Commissions receivable	53,506
Securities owned, at fair value (deposit with clearing broker)	94,275
Due from related parties, net of \$99,892 allowance	21,044
Prepaid expense	9,872
Total Assets	\$ 935,484
Liabilities and Shareholder's Equity	
Accounts payable	\$ 1,400
Income tax payable	56,259
Deferred tax liability	8,380
Due to related parties	4,058
Total Liabilities	70,097
Shareholder's Equity	
Common stock (no par value; 6,000 shares authorized; 3,000 shares issued and outstanding)	281,787
Retained earnings	583,600
Total Shareholder's Equity	865,387
Total Liabilities and Shareholder's Equity	\$ 935,484

See accompanying notes to the financial statements.

Fortrend Securities, Inc.

Statement of Income

For the Year Ended June 30, 2018

Revenue	
Commission revenue	\$ 2,103,212
Advisory fees	258,573
Interest and dividend income	28,206
Loss on securities owned	(52,109)
Other income	34,875
Total Revenue	2,372,757
Expenses	
Introduction fees	1,835,759
Clearing fees	99,804
Professional fees	34,969
Bad debt expense	18,014
Office and occupancy	5,230
Information services and market data	605
Other operating expenses	30,436
Total Expenses	2,024,817
Net Income from Operations	347,940
Tax provision	74,447
Net Income	\$ 273,493

See accompanying notes to the financial statements.

Fortrend Securities, Inc.

Statement of Changes in Shareholder's Equity

For the Year Ended June 30, 2018

		Common Stock		Retained Earnings		Total
July 1, 2017	\$	281,787	\$	1,028,107	\$	1,309,894
Net income				273,493		273,493
Distributions				(718,000)		(718,000)
June 30, 2018	\$	281,787	\$	583,600	\$	865,387

See accompanying notes to the financial statements.

Fortrend Securities, Inc.

Statement of Cash Flows

For the Year Ended June 30, 2018

Cash Flows from Operating Activities

Net income	\$ 273,493
Adjustments to reconcile net income to net cash provided by operating activities:	
Loss on securities owned	52,109
Bad debt expense	18,014
Deferred taxes	(27,153)
(Increase) decrease in:	
Commissions receivable	23,462
Due from related parties	324,887
Prepaid expense	(1,315)
Increase (decrease) in:	
Accounts payable	(11,400)
Income tax payable	12,519
Due to related parties	(4,307)

Net Cash Provided by Operating Activities	660,309
--	----------------

Cash Flows from Investing Activities

Purchase of securities owned (deposit with clearing broker)	(97,156)
Purchase of securities	(194,000)
Proceeds from sale of securities owned	802,834

Net Cash Provided by Investing Activities	511,678
--	----------------

Cash Flows from Financing Activities

Distributions	(832,071)
---------------	-----------

Net Cash Used in Financing Activities	(832,071)
--	------------------

Net increase in Cash and Cash Equivalents	339,916
--	----------------

Cash and cash equivalents at beginning of year	416,871
--	---------

Cash and Cash Equivalents at End of Year	\$ 756,787
---	-------------------

Supplemental disclosure of Non-Cash Financing Activities

Distribution reducing due from related parties	<u>\$ 114,071</u>
--	-------------------

Supplemental information:

Income taxes paid	<u>\$ 89,081</u>
-------------------	------------------

Interest paid	<u>\$ 6</u>
---------------	-------------

See accompanying notes to the financial statements.

Fortrend Securities, Inc.

Notes to the Financial Statements

June 30, 2018

1. Organization

Fortrend Securities, Inc. ("the Company") incorporated in Delaware on March 8, 1992 and was approved for membership by the Financial Industry Regulatory Authority ("FINRA") on September 7, 1993. The Company engages primarily as an introducing broker-dealer. The Company has a clearing agreement with Raymond James. It also has a piggy back agreement with Fortrend Securities Pty. Ltd. ("FSA"), a company under common control, and acts as a regulated conduit for the accounts of FSA which are introduced to the Company, which in turn are introduced to Raymond James.

2. Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all demand deposits held in banks, including the cash deposit at clearing broker and certain highly liquid investments with original maturities of three months or less, to be cash equivalents.

Commissions Receivable

Commissions receivable are carried at the invoiced or contracted amounts. The allowance for doubtful accounts is based on management's estimate of the amount of probable credit losses in existing commissions receivable. The Company considers all commissions receivable as fully collectible.

Securities Transactions

Customer securities transactions are executed and cleared by an independent clearing broker on a fully disclosed basis. Related commission income and expenses are recorded on a trade date basis.

Advisory Fees

As an alternative to paying commissions on securities transactions, customers may pay advisory fees quarterly in advance on assets held in their account.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have an impact on future periods.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities that represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

Income Taxes

The Company files federal income tax returns in the United States. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements utilizing currently enacted laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for changes in deferred tax liabilities and assets between years.

Securities Owned

Securities owned consist of equity securities and are stated at fair value with related changes in unrealized appreciation or depreciation reflected in gains or losses on the statement of income.

Fortrend Securities, Inc.

Notes to the Financial Statements

June 30, 2018

2. Significant Accounting Policies (continued)

Revenue Recognition

The Company earns its revenue from advisory fees for brokerage services and commissions. Advisory fees are recognized when services are provided. Commissions are recognized as revenue upon the execution of trades in customers' accounts. Costs connected with these commissions are expensed when incurred.

Comprehensive Income

There are no differences in net income and comprehensive income.

3. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission's uniform net capital rule (Rule 15c3-1) which requires the Company to maintain a minimum net capital equal to or greater than \$100,000 and a ratio of aggregate indebtedness to net capital not exceeding 15 to 1, both as defined. At June 30, 2018, the Company's net capital was \$768,865, which exceeded the requirement by \$668,865.

4. Reserve and Possession or Control Requirements

Rule 15c3-3 of the Securities and Exchange Commission provides a formula for the maintenance by broker-dealers of reserves in connection with customer-related transactions and standards regarding the physical possession or control of fully paid and excess margin securities. 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.

5. Clearing Broker Requirements

The Company has a clearing agreement with Raymond James & Associates, Inc. The clearing agreement requires the Company to maintain a deposit of \$100,000. At June 30, 2018, the total deposit of \$101,167 consisted of \$6,892 cash and \$94,275 in securities presented on the statement of financial condition.

6. Income Taxes

The Company accounts for income taxes in accordance with generally accepted accounting principles which requires recognition of deferred tax assets or liabilities for the expected future tax consequences of events that are included in the financial statements and tax returns in different periods.

Tax expense for the year ended June 30, 2018 consists of the following:

Current federal	\$ 101,600
Deferred federal	(27,153)
Tax provision	\$ 74,447

The deferred tax liability of \$8,380 is the result of differences in using the cash method of accounting for tax purposes and the accrual method for financial statement purposes. The deferred tax liability decreased by \$5,188 due to a change in the corporate federal tax rate. The Company is no longer subject to federal tax examinations by tax authorities for years ending before 2014. The Company does not have any state filing requirements.

Fortrend Securities, Inc.

Notes to the Financial Statements

June 30, 2018

7. Fair Value Measurements

The Fair Value Measurements Topic of the FASB Accounting Standards Codification 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 quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

Determination of Fair Value

Under the Fair Value Measurements Topic of the FASB Accounting Standards Codification, the Company bases its fair value on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon management's own estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future value.

In determining the appropriate levels, the Company performed a detailed analysis of its assets and liabilities. At year end, there were no assets or liabilities for which the fair value measurement was based on significant unobservable inputs.

Assets Measured and Recognized at Fair Value on a Recurring Basis

The table below presents the amounts of assets measured at fair value on a recurring basis as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Assets at fair value				
Exchange traded funds	\$ 94,275	\$ -	\$ -	\$ 94,275
Total assets at fair value	\$ 94,275	\$ -	\$ -	\$ 94,275

Fortrend Securities, Inc.

Notes to the Financial Statements

June 30, 2018

8. Risk Concentrations

At June 30, 2018, 100% of commissions receivable was from the Company's clearing broker.

9. Related Party Transaction

PaineWebber Australia Pty. Ltd. ("PaineWebber"), an Australian company under common control, had an agreement with the Company whereby it charged \$50 per month to the Company for rent only. During the year ended June 30, 2018, the charges totaled \$600 and is included in office and occupancy. The amount due to PaineWebber is \$200 at June 30, 2018.

FSA, an Australian company under common control, has an agreement with the Company for introduction of FSA clients to the Company. During the current year, the introduction fees totaled \$1,835,759 and are included in operations. The amount due to FSA is \$3,858 at June 30, 2018.

Advances to the Company's president totaled \$21,044 at June 30, 2018 and are included in due from related parties on the statement of financial condition. During the year ended June 30, 2018, due from president was reduced by distributions of \$114,071.

During the year ended June 30, 2018, the Company paid \$18,014 of professional fees on behalf of Domus Tower, Inc. ("Domus"), a company under common control. Such payments are included in due from related parties on the statement of financial condition and total \$99,892 as of June 30, 2018. Collection of this receivable is considered unlikely so there is an allowance for doubtful accounts \$99,892 for this receivable.

The Company's results of operations and financial position could differ significantly from those that would have been obtained if the entities were autonomous.

10. Financial Instruments with Off-Balance-Sheet Credit Risk

As a securities broker, the Company introduces transactions on the behalf of customers. The Company introduces these transactions for clearance to a clearing firm on a fully disclosed basis. In the normal course of business, the Company's customer activities involve the handling of orders for securities transactions and settlement by its clearing broker. The agreement between the Company and its clearing broker provides that the Company is obligated to assume any exposure related to nonperformance by its customers. These activities may expose the Company to off-balance-sheet risk in the event the customer is unable to fulfill its contracted obligations.

In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at the prevailing market price in order to fulfill the customer's obligation.

The Company seeks to control off-the-balance-sheet credit risk by monitoring its customer transaction and reviewing information it receives from its clearing broker on a daily basis and reserving for doubtful accounts when necessary.

Fortrend Securities, Inc.

Notes to the Financial Statements

June 30, 2018

11. Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which provides new guidance on revenue recognition effective for fiscal years beginning after December 15, 2017. Management does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326)" ("ASU 2016-13"), which will change the impairment model for most financial assets and require additional disclosures. The amended guidance requires financial assets that are measured at amortized cost be presented at the net amount expected to be collected. ASU 2016-13 is effective for us commencing in the first quarter of fiscal 2019 and will be applied through a cumulative-effect adjustment to retained earnings at the beginning of the year of adoption. We are evaluating the impact of the adoption of this standard on our financial statement and do not expect a material impact.

12. Subsequent Events

The Company has evaluated subsequent events through August 28, 2018, the date which the financial statements were issued.

SUPPLEMENTAL INFORMATION

Fortrend Securities, Inc.
Schedule I

**Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission**

As of June 30, 2018

Net Capital	
Total shareholder's equity	\$ 865,387
Less: Non-allowable assets	
Due from related parties	21,044
Prepaid expense	9,872
Total non-allowable assets	30,916
Tentative Net Capital	834,471
Less: Haircuts on securities owned	65,606
Net Capital	768,865
Net minimum capital requirement of 6 2/3% of aggregate indebtedness of \$61,717 or \$100,000, whichever is greater	100,000
Excess Net Capital	\$ 668,865

Reconciliation with Company's Net Capital Computation (Included in Part II of Form x-17A-5 as of June 30, 2018)

There were no material differences noted in the Company's net capital computation at June 30, 2018.

See accompanying notes to the financial statements.

675 Ygnacio Valley Road, Suite A200
Walnut Creek, CA 94596

(925) 933-2626
Fax (925) 944-6333

Review Report of Independent Registered Public Accounting Firm

To the Shareholder
Fortrend Securities, Inc.

We have reviewed management's statements, included in the accompanying SEA 15c3-3 Exemption Report, in which (1) Fortrend Securities, Inc. (the "Company") identified the following provisions of 17 C.F.R. §15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. §240.15c3-3: (k)(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 paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

Ernst Winter & Associates LLP

Walnut Creek, California
August 28, 2018

Fortrend Securities, Inc.

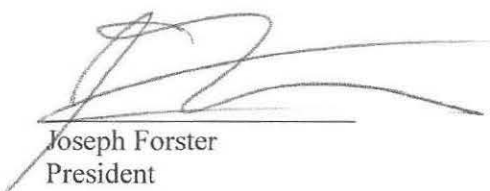
Exemption Report pursuant to SEC Rule 17a-5

For the Year Ended June 30, 2018

Fortrend Securities, Inc. operates pursuant to paragraph (k)(2)(ii) of SEC Rule 15c3-3 under which the Company claims an exemption from SEC Rule 15c3-3.

The Company met the identified exemption provisions in SEA §240.15c3-3(k) throughout the most recent fiscal year as of June 30, 2018 without exception; and

There were no exceptions during the most recent fiscal year in meeting the identified exemption provisions in SEA §240.15c3-3(k).



Joseph Forster
President