

BB 4/19/13



13014326

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

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: April 30, 2013  
Estimated average burden  
hours per response..... 12.00

SEC  
Processing  
Section  
APR 05 2013  
Washington, DC  
401

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

SEC FILE NUMBER  
8- 67706

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 01/01/2012 AND ENDING 12/31/2012  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: PWA Securities, Inc.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
4900 Perry Highway  
(No. and Street)  
Pittsburgh Pennsylvania 15229  
(City) (State) (Zip Code)  
NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Kevin Comstock 412-931-2700  
(Area Code - Telephone Number)

OFFICIAL USE ONLY  
FIRM I.D. NO.

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Lally & Co., LLC  
(Name - if individual, state last, first, middle name)  
5700 Corporate Drive, Suite 800 Pittsburgh Pennsylvania 15237  
(Address) (City) (State) (Zip Code)

- CHECK ONE:
- Certified Public Accountant
  - Public Accountant
  - Accountant not resident in United States or any of its possessions.

SECURITIES AND EXCHANGE COMMISSION  
RECEIVED  
APR 5 - 2013  
REGISTRATIONS BRANCH  
05

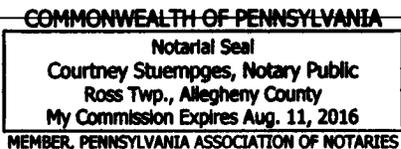
FOR OFFICIAL USE ONLY

\*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)

DP  
4/19

OATH OR AFFIRMATION

I, Kevin Comstock, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of PWA Securities, Inc., as of December 31, 20 12, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



[Signature]  
Signature

FINOP  
Title

[Signature]  
Notary Public

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~~ Cash Flows.
- (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).

**PWA SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2012**



**Lally & Co.**  
CPAs and Business Advisors

**PWA SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2012**

**CONTENTS**

Independent Auditors' Report	1 - 2
Statement of Financial Condition	3
Notes to Financial Statement	4 - 7



**Lally & Co.**

CPAs and Business Advisors

Lally & Co., LLC  
5700 Corporate Drive, Suite 800  
Pittsburgh, Pennsylvania 15237-5851

**412.367.8190** office  
412.366.3111 fax  
[www.lallycpas.com](http://www.lallycpas.com)

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
PWA Securities, Inc.  
Pittsburgh, Pennsylvania

We have audited the accompanying statement of financial condition of **PWA Securities, Inc.** (the "Company") as of December 31, 2012, and the related notes to the financial statement.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of **PWA Securities, Inc.** at December 31, 2012 in conformity with U.S. generally accepted accounting principles.

***Other Matter***

As disclosed in note 5 to the financial statements, the Company has significant transactions with related parties.

*Wang & Co., LLC*

February 6, 2013

**PWA SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2012**

**ASSETS**

Cash and Cash Equivalents	\$ 382,421
Securities Owned - At Fair Value	76,082
Advance - Related Parties	160,000
Receivable From Clearing Organization	<u>50,000</u>
<b>Total Assets</b>	<u><u>\$ 668,503</u></u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Liabilities**

Accounts Payable and Other Liabilities	<u>\$ 14,017</u>
--	------------------

**Stockholders' Equity**

Common Stock - No Par Value; 100 Shares Authorized; 2 Shares Issued and Outstanding	280,000
Retained Earnings	<u>374,486</u>
<b>Total Stockholders' Equity</b>	<u><u>654,486</u></u>

<b>Total Liabilities and Stockholders' Equity</b>	<u><u>\$ 668,503</u></u>
---	--------------------------

The accompanying notes are an integral part of this financial statement.

**PWA SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENT**

**1 - ORGANIZATION**

PWA Securities, Inc. was incorporated in April 2007, and was organized under the laws of the Commonwealth of Pennsylvania. The Company operates as a securities broker-dealer, registered with the Financial Industry Regulatory Authority ("FINRA") and is also a federally registered investment advisor.

The Company is headquartered in Pittsburgh, Pennsylvania and maintains branch offices in Greensburg, Pennsylvania and Reston, Virginia. The Company executes principal and agency securities transactions and manages investment portfolios.

**2 - SIGNIFICANT ACCOUNTING POLICIES**

**Method of Accounting**

The financial statements of the Company are presented on the accrual basis of accounting and are prepared in conformity with U.S. generally accepted accounting principles ("GAAP") as promulgated by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

**Estimates Used**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that may 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 revenue and expenses during the reported period. Actual results could vary from those estimates that were used.

**Securities Transactions**

The Company clears securities transactions through Pershing LLC, a member of the New York Stock Exchange, Inc. and NASDAQ, on a fully disclosed basis. The Company does not carry securities accounts for customers or perform custodial functions relating to customer securities. As such, the Company operates under the (k)(2)(ii) exemptive provisions of the Securities and Exchange Commission (SEC) Rule 15c3-3.

Securities transactions, together with related commission revenues and expenses, are recorded on a settlement date basis, generally the third business day following the trade date.

**Cash and Cash Equivalents**

The Company maintains balances on deposit with financial institutions and its clearing organization. Those organizations are located in Pennsylvania (financial institutions) and New Jersey (clearing organization). The accounts maintained at financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC"). The cash accounts maintained at the clearing organization are insured by the Securities Investor Protection Corporation ("SIPC"). At certain times during the year, the Company's cash balances may exceed the insured limits. The Company has not experienced any losses associated with those accounts.

**PWA SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENT**  
**(CONTINUED)**

**2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Securities Owned**

Securities owned are held in accounts with the Company's clearing organization and consist of equity securities and exchange-traded funds. The investments at the clearing organizations are insured by SIPC up to \$500,000.

Securities are carried at fair value. Securities are traded on a national securities exchange or listed on NASDAQ are valued at the last reported sales price on the primary securities exchange on which securities have traded on the last business day of the year. The resulting difference between cost and market is included in income.

**Income Taxes**

The Company has elected S corporation status for federal and state income tax purposes. Earnings and losses are included in the personal income tax returns of the stockholders and taxed depending on their personal tax strategies. Accordingly, the Company's financial statements do not include a provision for income taxes.

The Company follows the guidance of the FASB ASC topic on Income Taxes. No amounts have been recognized within the financial statements for taxes, interest, or penalties relating to uncertain tax positions. In addition, the Company does not anticipate any changes to their tax positions within the next twelve months. In general, the Company's tax positions for open tax years remain subject to examination by the tax authorities in the jurisdictions in which the Company operates.

**Subsequent Events Evaluation**

The accompanying financial statements include an evaluation of events or transactions that have occurred after December 31, 2012 and through February 6, 2013, the date the financial statements were issued.

**3 - FAIR VALUE MEASUREMENTS**

FASB ASC topic on Fair Value Measurements defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach, as specified by the FASB ASC topic, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.

**PWA SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENT**  
**(CONTINUED)**

**3 - FAIR VALUE MEASUREMENTS (CONTINUED)**

Level 2: inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data).

Equity securities and exchange-traded funds are valued at closing price reported on the active market on which the securities are traded.

There have been no changes in the methodologies used at December 31, 2012.

The following table summarizes the valuation of the assets by the fair value hierarchy as described above as of December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Exchange-Traded Funds	\$ 44,313	\$ -	\$ -	\$ 44,313
Equity Securities	<u>31,769</u>	<u>-</u>	<u>-</u>	<u>31,769</u>
	<u>\$ 76,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,082</u>

**4 - RECEIVABLE FROM CLEARING ORGANIZATION**

The Company clears its transactions on a fully disclosed basis through Pershing LLC. The amounts receivable from the clearing broker relate to amounts due from that organization. The receivable from the clearing broker at December 31, 2012 consists of the Company's required deposit in the amount of \$50,000.

**5 - RELATED PARTY TRANSACTIONS**

The Company operates under a month-to-month agreement with an affiliated entity (related through common ownership) through which the Company obtains various administrative and management services. The agreement requires the Company to make monthly payments of approximately \$14,000 for the administrative services.

During 2012, the Company advanced affiliated entities (related through common ownership) \$160,000. The advances do not contain any repayment terms or a stated interest rate. The advances are expected to be repaid during the first quarter of 2013.

**PWA SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENT**  
**(CONTINUED)**

**6 - NET CAPITAL REQUIREMENTS**

The Company, as a registered broker-dealer in securities, is subject to the net capital rule adopted by the Securities and Exchange Commission and administered by the Financial Industry Regulatory Authority. This rule requires that the Company's "aggregate indebtedness," as defined, not exceed fifteen times its "net capital," as defined. The Financial Industry Regulatory Authority may require a broker-dealer to reduce its business activity if the capital ratio should exceed 12 to 1 and may prohibit a broker-dealer from expanding business if the ratio exceeds 10 to 1. At December 31, 2012, the Company's net capital under the uniform net capital rule was approximately \$483,000, which exceeded the minimum capital requirements by approximately \$433,000. The Company's ratio of aggregate indebtedness to net capital at December 31, 2012, was .029 to 1.

**7 - CONTINGENCIES**

In the normal course of business, the Company is subject to proceedings, lawsuits, and other claims. However, in the opinion of management no claims presently exist, which after final disposition would have a resulting financial impact that would be material to the annual financial statements.