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

**SEC**  
**Mail Processing  
Section**

NOV 29 2013

| SEC FILE NUMBER |
|-----------------|
| 8-022752        |

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17a-5 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

Washington DC  
404

REPORT FOR THE PERIOD BEGINNING 10/1/2012 AND ENDING 9/30/2013 \*  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

David A. Noyes & Company

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

209 South Lasalle Street

| OFFICIAL USE ONLY |
|-------------------|
| FIRM I.D. NO.     |

Chicago

Illinois

60604

(City)

(State)

(Zip Code)

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

Timothy Major

312-606-4680

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

McGladrey LLP

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

One South Wacker Dr., Suite 800

Chicago

Illinois

60606

(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)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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OATH OR AFFIRMATION

I, Timothy Major, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of David A. Noyes & Company of September 30, 2013, 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:

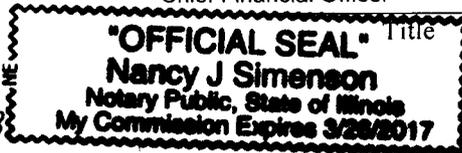
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\_\_\_\_\_

*[Handwritten Signature]*

Signature

Chief Financial Officer

*Nancy J. Simenson*  
Notary Public Nov. 25, 2013



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. (Bound under separate cover)
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent auditor's report on internal control

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

**SEC  
Mail Processing  
Section**

NOV 29 2013

**Washington DC  
404**

# **David A. Noyes & Company**

**Statement of Financial Condition  
September 30, 2013**

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Filed as PUBLIC information pursuant to Rule 17a-5(d) under the  
Securities Exchange Act of 1934.

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## Contents

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|   |       |
|---|-------|
| Independent Auditor's Report              | 1     |
| <hr/>                                     |       |
| Financial Statement                       |       |
| Statement of Financial Condition          | 2     |
| Notes to Statement of Financial Condition | 3 – 8 |

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## Independent Auditor's Report

To the Board of Directors  
David A. Noyes & Company  
Chicago, Illinois

### Report on the Financial Statement

We have audited the accompanying statement of financial condition of David A. Noyes & Company (the Company) as of September 30, 2013 that is filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes (the financial statement).

### Management's Responsibility for the Financial Statement

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statement 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 Company'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 statement.

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 David A. Noyes & Company as of September 30, 2013, in accordance with accounting principles generally accepted in the United States of America.

*McGladrey LLP*

Chicago, Illinois  
November 27, 2013

**David A. Noyes & Company**

**Statement of Financial Condition  
September 30, 2013**

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| <b>Assets</b>   |                            |
|---|----------------------------|
| Cash  | \$ 345,295                 |
| Receivable from clearing broker-dealer  | 4,541,922                  |
| Securities owned, at fair value   | 1,360,306                  |
| Receivables from employees  | 747,734                    |
| Furniture, equipment, and leasehold improvements, at cost, less<br>accumulated depreciation and amortization of \$380,203 | 419,013                    |
| Other assets  | <u>312,891</u>             |
| <b>Total assets</b>   | <u><u>\$ 7,727,161</u></u> |
| <b>Liabilities and Stockholders' Equity</b>   |                            |
| Liabilities   |                            |
| Accounts payable and accrued expenses   | \$ 2,314,639               |
| Deferred rent   | <u>1,171,949</u>           |
| <b>Total liabilities</b>  | <u><u>3,486,588</u></u>    |
| Commitments and Contingent Liabilities (Note 6)   |                            |
| Stockholders' Equity  | <u>4,240,573</u>           |
| <b>Total stockholders' equity</b>   | <u><u>4,240,573</u></u>    |
| <b>Total liabilities and stockholders' equity</b>   | <u><u>\$ 7,727,161</u></u> |

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

## David A. Noyes & Company

### Notes to Statement of Financial Condition

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#### **Note 1. Nature of Business and Significant Accounting Policies**

David A. Noyes & Company (the Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC), New York Stock Exchange (NYSE) and the Financial Industry Regulatory Authority (FINRA). The Company is engaged in principal and agency transactions in securities and other related activities. The Company's customer securities are cleared through another broker-dealer on a fully disclosed basis.

The Company operates under the provisions of paragraph (k)(2)(ii) of Rule 15c3-3 of the Securities Exchange Act of 1934 and, accordingly, is exempt from the remaining provisions of that rule. The requirements of paragraph (k)(2)(ii) provide that the Company clear all transactions on behalf of customers on a fully disclosed basis with a clearing broker-dealer. The clearing broker-dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker-dealer.

A summary of the Company's significant accounting policies are as follows:

**Accounting policies:** The Company follows generally accepted accounting principles (GAAP), as established by the Financial Accounting Standards Board (the FASB) to ensure consistent reporting of financial condition, results of operations, and cash flows.

**Use of estimates:** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Securities transactions:** Principal transactions and related revenues and expenses are recorded at fair value on a trade-date basis as if they had settled.

**Revenue recognition:** Commission income and related clearing expenses are recorded on a trade-date basis as securities transactions occur. Fee income results primarily from providing advisory services and is recognized as earned. Private placement fees are recognized at the time the placement is completed and the income is reasonably determinable. Interest income and expense are recognized on the accrual basis. Dividend income is recognized on the ex-dividend date.

**Receivables from employees:** Receivables from employees consist primarily of forgivable loans offered to certain employees. Loans are forgivable annually in pro-rata installments proportional to their stated terms, which are generally three to ten years, and charged to compensation expense. The Company does not record a valuation allowance for the employee loans for those employees actively employed with the Company as the loans are forgiven pursuant to their continued employment. If an employee leaves the Company before a loan is forgiven, the Company seeks to collect the remaining amount of the loan, and will make an assessment as to the collectibility of the remaining amount of the loan at that time. Any loans deemed uncollectible will be written off.

**Furniture, equipment, and leasehold improvements:** Furniture, equipment, and leasehold improvements are recorded at cost and depreciated/amortized on accelerated methods over the estimated useful lives of the assets.

## David A. Noyes & Company

### Notes to Statement of Financial Condition

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#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

**Income taxes:** The Company, with the consent of its stockholders, has elected to be taxed under sections of the federal income tax laws which provide that in lieu of corporation income taxes, the stockholders separately account for their pro rata share of the Company's items of income, deductions, losses and credits. Therefore, these statements do not include any provision for federal corporate income taxes.

FASB guidance requires the evaluation of income tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the income tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Income tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. For the year ended September 30, 2013, management has determined that there are no material uncertain income tax positions, and accordingly, has not recorded a liability for the payment of interest or penalties.

The Company is generally subject to examination by U.S. federal and state tax authorities for tax the current and prior three tax years.

**Subsequent events:** The Company has evaluated subsequent events for potential recognition and/or disclosure through November 27, 2013, the date these financial statements were issued, noting none.

**Recently adopted accounting pronouncements:** In May 2011, the FASB issued new guidance to clarify the application of existing fair value measurement requirements and to change particular principles or requirements for measuring fair value or for disclosing information about fair value measurements. This guidance is effective for annual periods beginning on or after December 15, 2011, and was adopted by the Company. The adoption of this guidance did not have a material impact on the financial statements.

**Recently issued accounting pronouncements:** In December 2011, the FASB issued new guidance that requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. FASB issued additional clarification to specify that the guidance applies only to derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with specific criteria of the Codification or subject to a master netting arrangement or similar agreement. This guidance is effective for annual periods beginning on or after January 1, 2013. The adoption of this guidance is not expected to have a material impact on the financial statements.

#### Note 2. Fair Value of Financial Instruments

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. Assets and liabilities recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Notes to Statement of Financial Condition

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**Note 2. Fair Value of Financial Instruments (Continued)**

Level 2. Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3. Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the instrument.

The following section describes the valuation techniques used by the Company to measure different financial instruments at fair value and includes the level within the fair value hierarchy in which the financial instrument is categorized.

Certificates of deposit with maturity dates, when purchased, of more than three months held at a reputable financial institution are stated at face value plus accrued interest, which approximates fair value. These financial instruments are classified as Level 2 in the fair value hierarchy.

Common stock is recorded at fair value based on quoted market prices. These financial instruments are classified in Level 1 of the fair value hierarchy.

State and municipal government obligations which include U.S. Government securities and Government-sponsored enterprises are stated at fair value based on third-party dealer quotes. These financial instruments are classified in Level 1 of the fair value hierarchy.

**David A. Noyes & Company****Notes to Statement of Financial Condition****Note 2. Fair Value of Financial Instruments (Continued)**

The following table presents the Company's fair value hierarchy for those assets measured at fair value on a recurring basis as of September 30, 2013:

|   | Fair Value Measurements Using   |  |  | Total               |
|---|---|--|--|---------------------|
|   | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |                     |
| <b>Assets</b>                                 |   |  |  |                     |
| Securities owned:                             |   |  |  |                     |
| Certificates of deposit                       | \$ -  | \$ 1,200,023   | \$ -   | \$ 1,200,023        |
| Common stock                                  | 55,080  | -  | -  | 55,080              |
| State and municipal government<br>obligations | 105,203   | -  | -  | 105,203             |
|   | <u>\$ 160,283</u>   | <u>\$ 1,200,023</u>                                    | <u>\$ -</u>  | <u>\$ 1,360,306</u> |

The Company assesses the levels of the instruments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Company's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no significant transfers among Levels 1, 2, and 3 during the year ended September 30, 2013.

**Note 3. Receivable from Clearing Broker-Dealer**

The amount receivable from clearing broker-dealer at September 30, 2013, is comprised of the following:

|                                 |                     |
|---------------------------------|---------------------|
| Cash at clearing broker-dealer  | \$ 4,145,714        |
| Fees and commissions receivable | 146,208             |
| Clearing deposit                | 250,000             |
|                                 | <u>\$ 4,541,922</u> |

**Note 4. Furniture, Equipment and Leasehold Improvements**

Furniture, equipment and leasehold improvements at September 30, 2013, consist of:

|   |                   |
|---|-------------------|
| Furniture and equipment                   | \$ 242,352        |
| Leasehold improvements                    | 556,864           |
| Accumulated depreciation and amortization | (380,203)         |
|   | <u>\$ 419,013</u> |

**David A. Noyes & Company**

**Notes to Statement of Financial Condition**

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**Note 5. Profit Sharing and Salary Reduction Plan**

The Company has a profit sharing and salary reduction plan to which the Board of Directors may authorize salary reduction matching payments and profit sharing contributions. The plan is funded on a discretionary basis and covers substantially all employees.

**Note 6. Commitments and Contingent Liabilities**

The Company leases office space under various noncancelable operating leases expiring through August 31, 2024. Minimum annual rentals under these leases, exclusive of additional payments which may be required for certain increases in operating and maintenance costs, are as follows:

Years ending September 30:

|            |                      |
|------------|----------------------|
| 2014       | \$ 1,195,730         |
| 2015       | 1,331,741            |
| 2016       | 1,382,362            |
| 2017       | 1,411,544            |
| 2018       | 1,396,925            |
| Thereafter | <u>6,106,345</u>     |
|            | <u>\$ 12,824,647</u> |

A portion of the Indianapolis space has been sublet under contract through July 2019. The preceding minimum rental commitment amounts have not been reduced by the minimum rentals which are to be received in the future under this sublease.

The Company had received abatements of rent on its office facilities leases, which also provide for annual incremental increases in rent over the term of the lease. For financial reporting purposes, lease expense is recognized on a straight-line basis over the term of the lease. Deferred rent is recognized for the difference between the recognized lease expense and the rent paid over the term of the lease.

The Company has two letters of credit totaling \$350,000 to satisfy office lease deposit requirements. These letters of credit are collateralized by certificates of deposits which mature at various times through January 29, 2014.

The terms of the fully disclosed clearing agreement provide that early termination of the agreement may result in a termination fee, which declines over time, payable to the clearing firm.

In the normal course of business, the Company is subject to various litigation and arbitration matters. Management has accrued a contingent liability of \$350,000 for open customer arbitration.

**Notes to Statement of Financial Condition**

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**Note 7. Financial Instruments with Off-Balance-Sheet Credit and Market Risk**

Customer securities are introduced to and cleared through clearing brokers on a fully disclosed basis. Under the terms of its clearing agreements, the Company is required to guarantee the performance of its customers in meeting contracted obligations. Such transactions may expose the Company to significant off-balance sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. In conjunction with the clearing brokers, the Company seeks to control the risks associated with its customer activities by requiring customers to maintain collateral in compliance with various regulatory and internal guidelines. Compliance with the various guidelines is monitored daily and, pursuant to such guidelines, the customers may be required to deposit additional collateral or reduce positions where necessary. Pursuant to the Company's clearing agreement, the Company is required to maintain a deposit with its clearing organization.

The Company does not anticipate nonperformance by customers or its clearing brokers. In addition, the Company has a policy of reviewing, as considered necessary, the clearing brokers with which it conducts business.

The Company maintains deposits with high-quality financial institutions in amounts that are in excess of federally insured limits; however, the Company does not believe it is exposed to any significant credit risk.

**Note 8. Net Capital Requirements**

The Company is a broker-dealer subject to the SEC Uniform Net Capital Rule (Rule 15c3-1). The Company has elected to use the alternative net capital method permitted by Rule 15c3-1. Under this rule, the Company should not permit its net capital to be less than the greater of \$250,000 or 2 percent of aggregate debits arising from customer transactions. At September 30, 2013, the Company had net capital of \$2,739,498 which was \$2,489,498 in excess of its required net capital of \$250,000. The net capital rule may effectively restrict the payment of cash distributions to stockholders.

In July 2013, the SEC enacted new broker dealer regulations, including amendments to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1). These regulations are currently being reviewed and the impact on the financial statement is not expected to be material.

**Note 9. Indemnifications**

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