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

SEC FILE NUMBER
8- 52955

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 04/01/13 AND ENDING 03/31/14  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: KCOE Capital Advisors, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

2725 NW 24th Ave

(No. and Street)

Camas

WA

98607

(City)

(State)

(Zip Code)

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

Steve Callahan

(785) 309-2534

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Baker Tilly Virchow Krause, LLP

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

225 South Sixth Street, Suite 2300

Minneapolis

MN

55402

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

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\*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

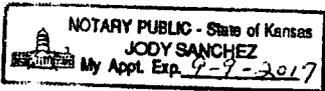
I, Steve Callahan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of KCOE Capital Advisors, LLC, as of March 31, 2014, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Steve Callahan  
Signature

Treasurer  
Title

Jody Sanchez  
Notary Public



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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of OPERATIONS
- (d) Statement of 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).

**KCOE CAPITAL ADVISORS, LLC**  
(formerly known as KC Brokerage Services, LLC)

Camas, Washington

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Years Ended March 31, 2014 and 2013

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**KCOE CAPITAL ADVISORS, LLC**  
(formerly known as KC Brokerage Services, LLC)

Camas, Washington

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Years Ended March 31, 2014 and 2013

# KCOE CAPITAL ADVISORS, LLC

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors and Member  
KCOE Capital Advisors, LLC  
Camas, Washington

***Report on the Financial Statements***

We have audited the accompanying financial statements of KCOE Capital Advisors, LLC (formerly known as KC Brokerage Services, LLC), which comprise the statements of financial condition as of March 31, 2014 and 2013, and the related statements of operations, member's equity, and cash flows for the years then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are 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 auditors' 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 statements referred to above present fairly, in all material respects, the financial position of KCOE Capital Advisors, LLC as of March 31, 2014 and 2013 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Report on Supplemental Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information on page 9 is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplemental information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Baker Tilly Virchow Krause, LLP*

Minneapolis, Minnesota  
May 9, 2014

# KCOE CAPITAL ADVISORS, LLC

## STATEMENTS OF FINANCIAL CONDITION As of March 31, 2014 and 2013

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	<b>ASSETS</b>	
	<u>2014</u>	<u>2013</u>
CASH	\$ 182,541	\$ 179,345
COMMISSION AND FEES RECEIVABLE	47,000	28,500
RELATED PARTY RECEIVABLE	3,487	3,488
DEPOSIT	<u>1,163</u>	<u>491</u>
<b>TOTAL ASSETS</b>	<u>\$ 234,191</u>	<u>\$ 211,824</u>
 <b>LIABILITIES AND MEMBER'S EQUITY</b>		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 13,513	\$ 13,602
UNEARNED REVENUE	37,500	-
FORGIVABLE NOTE PAYABLE	<u>61,039</u>	<u>91,559</u>
<b>TOTAL LIABILITIES</b>	112,052	105,161
<b>MEMBER'S EQUITY</b>	<u>122,139</u>	<u>106,663</u>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<u>\$ 234,191</u>	<u>\$ 211,824</u>

See accompanying notes to financial statements.

# KCOE CAPITAL ADVISORS, LLC

## STATEMENTS OF OPERATIONS For the Years Ended March 31, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
<b>REVENUES</b>	\$ 379,069	\$ 320,848
<b>OPERATING EXPENSES</b>	<u>97,210</u>	<u>88,458</u>
Operating Income	281,859	232,390
<b>OTHER INCOME (EXPENSE)</b>		
Other expense	(403)	(666)
Other income	<u>30,520</u>	<u>30,519</u>
Total Other Income	<u>30,117</u>	<u>29,853</u>
<b>NET INCOME</b>	<u>\$ 311,976</u>	<u>\$ 262,243</u>

See accompanying notes to financial statements.

## KCOE CAPITAL ADVISORS, LLC

### STATEMENTS OF MEMBER'S EQUITY For the Years Ended March 31, 2014 and 2013

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<b>BALANCE, March 31, 2012</b>	\$ 99,095
Distributions to member	(254,675)
2013 net income	<u>262,243</u>
<b>BALANCE, March 31, 2013</b>	106,663
Distributions to member	(296,500)
2014 net income	<u>311,976</u>
<b>BALANCE, March 31, 2014</b>	<u>\$ 122,139</u>

See accompanying notes to financial statements.

# KCOE CAPITAL ADVISORS, LLC

## STATEMENTS OF CASH FLOWS For the Years Ended March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 311,976	\$ 262,243
Adjustments to reconcile net income to net cash flows from operating activities:		
Forgiveness of forgivable note payable	(30,520)	(30,519)
Changes in operating assets and liabilities:		
Commission and fees receivable	(18,500)	(8,906)
Related party receivable	1	(3,488)
Deposit	(672)	314
Accounts payable and accrued expenses	(89)	302
Unearned revenue	<u>37,500</u>	<u>-</u>
Net Cash Flows from Operating Activities	<u>299,696</u>	<u>219,946</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Distributions to member	<u>(296,500)</u>	<u>(254,675)</u>
Net Cash Flows from Financing Activities	<u>(296,500)</u>	<u>(254,675)</u>
<b>Net Change in Cash</b>	3,196	(34,729)
CASH - Beginning of Year	<u>179,345</u>	<u>214,074</u>
<b>CASH - END OF YEAR</b>	<u>\$ 182,541</u>	<u>\$ 179,345</u>

See accompanying notes to financial statements.

# KCOE CAPITAL ADVISORS, LLC

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended March 31, 2014 and 2013

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## **NOTE 1 - Summary of Significant Accounting Policies**

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### *Nature of Business*

KCOE Capital Advisors, LLC (the Company) was organized as a limited liability company in Kansas on March 28, 2000. The Company became a registered broker dealer under the Securities Exchange Act of 1934 on March 20, 2001 and is a member of the Financial Industry Regulatory Authority, Inc. (FINRA). During 2013, the Company formally changed its name from KC Brokerage Services, LLC to KCOE Capital Advisors, LLC.

The Company is a wholly-owned subsidiary of Kennedy and Coe Wealth Management, LLC (Kennedy and Coe Wealth Management).

### *Cash*

The Company maintains its cash in financial institutions. Balances, at times, may exceed federally insured limits.

### *Commissions Receivable*

Commissions receivable are unsecured and no allowance for doubtful accounts is considered necessary by management as of March 31, 2014 and 2013.

### *Revenue Recognition and Related Expenses*

Commission income and expenses are recorded on a trade-date basis. Commission income from merger and acquisition transactions is recognized at the time of closing.

### *Income Taxes*

The Company is not a taxpaying entity for federal and state income tax purposes. The Company's taxable income or loss is taxed on the sole member's income tax returns. Therefore, no provision or liability for federal or state income taxes has been included in the financial statements.

With few exceptions, the Company is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for the years before 2010. The Company is not currently under examination by any taxing jurisdiction. In the event of any future tax assessments, the Company has elected to record the income taxes and any related interest and penalties as income tax expense on the Company's statements of operations.

### *Management's 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 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.

# KCOE CAPITAL ADVISORS, LLC

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended March 31, 2014 and 2013

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### **NOTE 2 - Forgivable Note Payable**

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On October 14, 2011, the Company entered into a forgivable note payable with Securities America Financial Corporation (SAFC) for \$122,078. The note is collateralized by future commissions and other compensation due to the Company from SAFC and certain of its affiliates. A portion of the principal of the note was forgiven on October 14, 2012 and October 14, 2013. A portion of the principal of the note will be forgiven in two (2) increments as of October 14, 2014 and October 14, 2015, provided the Company and its affiliates KC Investment Advisors, LLC and KC Insurance Agency, LLC, meet revenue targets and other terms as set forth in the promissory note. Interest on the outstanding principal is imputed by the Company and calculated at the mid-term IRS Applicable Rate (1.82% and 1.09% as of March 31, 2014 and 2013, respectively). The imputed interest was \$1,896 and \$1,414 as of March 31, 2014 and 2013, and is part of accounts payable and accrued expenses on the statements of financial condition.

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### **NOTE 3 - Related Party Transactions**

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The Company has an affiliate agreement with Kennedy and Coe, LLC, the parent of Kennedy and Coe Wealth Management, to pay \$3,000 per month to lease office space (\$2,000 from April 2012 to December 2013), furnishings and equipment and to pay an hourly rate for the use of Kennedy and Coe, LLC employees for accounting and marketing services.

Shared expenses were \$56,803 and \$55,484 for the years ended March 31, 2014 and 2013. The balance due to Kennedy and Coe, LLC is \$2,306 and \$2,790 as of March 31, 2014 and 2013, and is included in accounts payable and accrued expenses on the statements of financial condition. The Company will pay the following expenses directly: audit and legal fees, bank charges, and federal and state registration fees. The balance due from Kennedy and Coe Wealth Management was \$3,487 and \$3,488 as of March 31, 2014 and 2013, and is due on demand and non-interest bearing.

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### **NOTE 4 - Net Capital Requirements**

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The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and the related net capital ratio fluctuate on a daily basis. As of March 31, 2014 and 2013, the Company had net capital of \$117,489 and \$102,684 which was \$110,019 and \$95,763 in excess of its required net capital of \$7,470 and \$7,011. The Company's net capital ratio was .95 to 1 and 1.02 to 1 as of March 31, 2014 and 2013.

No material differences exist between the net capital calculated above and the net capital computed and reported in the Company's March 31, 2014 FOCUS filing. Per Rule 15c3-3 of the Securities and Exchange Commission Uniform Net Capital Rule, the Company is exempt under the (k)(2)(i) exemption.

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### **NOTE 5 - Subsequent Events**

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The Company has evaluated subsequent events occurring through May 9, 2014, which is the date that the financial statements were available to be issued, for events requiring recording or disclosure in the Company's financial statements.

**SUPPLEMENTAL INFORMATION**

## KCOE CAPITAL ADVISORS, LLC

### COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS UNDER RULE 15C3-1 OF THE SECURITIES AND EXCHANGE COMMISSION As of March 31, 2014

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#### COMPUTATION OF NET CAPITAL

Total member's equity	\$ 122,139
Non-allowable assets:	
Related party receivable	3,487
Deposit	<u>1,163</u>
Total non-allowable assets	<u>4,650</u>
Net capital before haircuts on securities positions	117,489
Haircuts on securities positions	<u>-</u>
Net capital	<u>\$ 117,489</u>

#### COMPUTATION OF AGGREGATE INDEBTEDNESS

Total liabilities from statement of financial condition	<u>\$ 112,052</u>
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#### COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital requirement	<u>\$ 7,470</u>
Excess net capital at 1,500 percent	<u>\$ 110,019</u>
Excess net capital at 1,000 percent	<u>\$ 106,284</u>
Ratio: Aggregate indebtedness to net capital	<u>.95 to 1</u>

REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17A-5(G)(1)  
FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15C3-3

Board of Directors and Member  
KCOE Capital Advisors, LLC  
Camas, Washington

In planning and performing our audit of the financial statements of KCOE Capital Advisors, LLC (formerly known as KC Brokerage Services, LLC) (the Company), as of and for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons and recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's previously mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented, detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. However, we identified a certain deficiency in internal control that we consider to be a significant deficiency. There is a lack of segregation of duties in the accounting department. Additionally, there are no controls in place to compensate for the lack of segregation of duties. Without appropriate segregation of duties, or compensating controls within the accounting department, it is possible the company may not be able to successfully prevent an error or misstatement from occurring. We communicated this in writing to management and the sole member on May 9, 2014.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at March 31, 2014, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Baker Tilly Virchow Krause, LLP*

Minneapolis, Minnesota  
May 9, 2014

