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

SEC  
Self Processing

SEC FILE NUMBER
8- 34240

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 05/01/2013 Washington DC AND ENDING 04/30/2014  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: R.W. Smith & Associates, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

40 Lake Bellevue Dr. Suite 340

Bellevue (City) WA (State) 98005 (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Paige Pierce (801) 733-9909  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Spicer Jeffries LLP

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

5251 S. Quebec Street, Suite 200 Greenwood Village CO 80111  
(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)

7/3/14

OATH OR AFFIRMATION

I, Paige Pierce, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of R.W. Smith & Associates, Inc. of April 30, 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:

[Handwritten Signature]

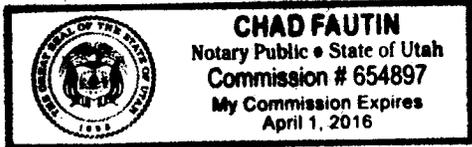
Signature

Chief Executive Officer

Title

[Handwritten 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.
(e) Statement of Changes in Stockholders' Equity of Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital (including reconciliation of X-17A-5 Part II filing with this Rule 17a-5(d) report, if applicable).
(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 15c3-3 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.
(o) Independant Auditors' Report on Internal Accounting Control.

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

**R.W. SMITH & ASSOCIATES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**APRIL 30, 2014**



**SPICER JEFFRIES LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

**R.W. SMITH & ASSOCIATES, INC.**

**STATEMENT OF FINANCIAL CONDITION**

**APRIL 30, 2014**

The report is filed in accordance with Rule 17a-5(e)(3) under the Securities Exchange Act of 1934 as a  
**PUBLIC DOCUMENT.**

**R.W. SMITH & ASSOCIATES, INC.**

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SPICER JEFFRIES LLP

CERTIFIED PUBLIC ACCOUNTANTS

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TELEPHONE: (303) 753-1959

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors of  
R.W. Smith & Associates, Inc.

### *Report on the Financial Statements*

We have audited the accompanying statement of financial condition of R.W. Smith & Associates, Inc. (the "Company") as of April 30, 2014 that is 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 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 this financial statement that is 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 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 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 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 R.W. Smith & Associates, Inc. as of April 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

Greenwood Village, Colorado  
June 24, 2014



**R. W. SMITH & ASSOCIATES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**APRIL 30, 2014**

**ASSETS**

Cash and cash equivalents	\$	472,687
Receivables:		
Commission receivable		39,242
Other		3,789
Deposit with clearing broker		52,073
Furniture, equipment and leasehold improvements, at cost, net of accumulated depreciation of \$407,950 (Note 2)		39,128
Investment in unconsolidated entity (Note 7)		85,000
Prepaid assets and deposits		<u>69,991</u>
	<b>\$</b>	<b><u>761,910</u></b>

**LIABILITIES AND SHAREHOLDER'S EQUITY**

**LIABILITIES:**

Due to clearing broker	\$	16,251
Accounts payable and accrued expenses		<u>170,320</u>

<b><i>TOTAL LIABILITIES</i></b>		<u>186,571</u>
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**COMMITMENTS AND CONTINGENCIES** (Notes 4 and 8)

**SHAREHOLDER'S EQUITY** (Note 5):

Common stock, series A, \$0.25 par value, voting, 200,000 shares authorized; 58,419 shares issued and outstanding		14,605
Common stock, series B, no par value, nonvoting 1,500,000 shares authorized; 525,771 shares issued and outstanding		-
Additional paid-in capital		2,839,032
Deficit		<u>(2,278,298)</u>

<b><i>TOTAL SHAREHOLDER'S EQUITY</i></b>		<u>575,339</u>
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	<b>\$</b>	<b><u>761,910</u></b>
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**R.W. SMITH & ASSOCIATES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and business**

R. W. Smith & Associates, Inc. (the "Company") is registered as a "Fixed income inter dealer broker" as defined in subsection (ii) of Rule 15c-1a2 (ii) under the Securities Exchange Act of 1934. The Company was incorporated in May 1985 under the laws of the state of Washington. The Company has nine branch offices and transacts business with broker-dealers and dealer-banks and institutions throughout the United States.

**Securities transactions**

Fixed income transactions are recorded on a trade-date basis. Commission revenue and related expenses are recorded on a trade-date basis. Dividend income is recorded ex-dividend date and interest income and expense are recorded on the accrual basis.

**Agreement with clearing broker**

The Company under Rule 15c3-3(k)(2)(ii) is exempt from the reserve and possession or control requirements of Rule 15c3-3 of the Securities and Exchange Commission. The Company does not carry or clear customer accounts. The Company clears certain of its interdealer counterparty transactions through a clearing firm on a fully disclosed basis.

**Furniture, equipment and leasehold improvements**

Office furniture, equipment and leasehold improvements are carried at cost and depreciated over five to seven years using the straight-line method. Maintenance and repairs are expensed when incurred.

**Cash and cash equivalents**

For purposes of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Cost method of accounting for unconsolidated investments**

Investments in companies in which the Company has less than a 20% interest are carried at cost. Dividends received from those companies are included in other income. Dividends received in excess of the company's proportionate share of accumulated earnings are applied as a reduction of the cost of the investment.

**R. W. SMITH & ASSOCIATES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

*(continued)*

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
*(concluded)*

**Income taxes**

The Company files its own separate tax return, not consolidated with its parent. The Company utilizes the asset and liability method of accounting for income taxes, as prescribed by Accounting Standards Codification 740 – Income Taxes (“ASC 740”). Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which these temporary differences are expected to be recovered or settled. Changes in tax rates are recognized in income in the period that includes the enactment date.

The Company is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any tax related appeals or litigation processes, based on the technical merits of the position. The Company files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states. The Company is not subject to income tax return examinations by major taxing authorities for years before 2010. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized results in the Company recording a tax liability that reduces net assets. However, the Company’s conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof. The Company recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in income taxes payable, if assessed. No interest expense or penalties have been recognized as of and for the year ended April 30, 2014.

**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.

**R. W. SMITH & ASSOCIATES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

*(continued)*

**NOTE 2 - FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Furniture, equipment and leasehold improvements at April 30, 2014 consist of the following:

Data processing equipment	\$ 307,303
Office equipment	28,100
Office furniture	51,221
Telephone equipment	16,070
Leasehold improvements	<u>44,384</u>
	447,078
Less: accumulated depreciation and amortization	<u>(407,950)</u>
	<u><u>\$ 39,128</u></u>

**NOTE 3 - INCOME TAXES**

As of April 30, 2014 the Company has approximately \$2,050,000 of net operating loss carry forwards expiring through 2034, which may be used to offset future taxable income. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company has approximately \$720,000 in deferred tax benefit relating to the net operating loss carry forwards and other temporary differences, but realization of this benefit is uncertain at the present time and accordingly a valuation allowance in the same amount has been recorded.

Significant components of the Company's deferred tax liabilities and assets as of April 30, 2014 are as follows:

Deferred tax liabilities	<u>\$ -</u>
Deferred tax asset:	
Net operating loss	\$ 700,000
Other temporary differences	20,000
Valuation allowance for deferred tax asset	<u>(720,000)</u>
	<u><u>\$ -</u></u>

The valuation allowance for the deferred tax asset was increased by \$70,000 during the year ended April 30, 2014.

**R. W. SMITH & ASSOCIATES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

*(continued)*

**NOTE 4 - LEASE OBLIGATIONS**

The Company leases office space under non-cancelable operating leases expiring through 2017. At April 30, 2014, aggregate minimum future rental commitments under these leases with initial or remaining terms in excess of one year are as follows:

<u>Year ending April 30,</u>	<u>Amount</u>
2015	\$ 170,203
2016	144,714
2017	62,730
2018	8,244
	<u>\$ 385,891</u>

Total rental expense of \$183,814, including the non-cancelable leases referred to above, was charged to operations during the year ended April 30, 2014.

**NOTE 5 - NET CAPITAL REQUIREMENTS**

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. At April 30, , the Company had net capital and net capital requirements of \$377,431 and \$100,000, respectively. The Company's net capital ratio (aggregate indebtedness to net capital) was 0.49 to 1. According to Rule 15c3-1, the Company's net capital ratio shall not exceed 15 to 1.

**NOTE 6 - 401(K) PLAN**

The Company maintains a voluntary defined contribution retirement plan, qualified under Section 401(k) of the Internal Revenue Code that is available to all eligible employees. The Company does not currently match employees' contributions to the plan, but does pay all administrative fees for the plan.

**NOTE 7 - INVESTMENT IN LIMITED LIABILITY COMPANY**

In September 2013, the Company and several other municipal securities inter-broker dealers formed Municipal Bond Information Services, LLC ("MBIS"). MBIS, among other things, collects certain municipal securities trading information from its members and transfers such information to the U.S. Securities and Exchange Commission and/or the Municipal Securities Rulemaking Committee when or if required. The Company owns a 9% interest in MBIS and accounts for its investment on the cost basis. The carrying value of the Company's investment at April 30, 2014 amounted to \$85,000. Management has reviewed the value of the investment as of April 30, 2014 and has determined that no impairment has been sustained.

**R. W. SMITH & ASSOCIATES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

*(concluded)*

**NOTE 8 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK,  
CONTINGENCIES AND UNCERTAINTIES**

In the normal course of business, the Company is involved in activities related to securities transactions with broker-dealers and dealer-banks and other institutions. These activities may expose the Company to off-balance sheet risk. In the event the counterparty fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the counterparty's obligations.

The Company's financial instruments, including cash and cash equivalents, commission receivable, other receivable, deposit with clearing broker, prepaid assets and deposits, due to clearing broker and accounts payable and accrued expenses are carried at amounts that approximate fair value due to the short-term nature of those instruments.

The Company has a deposit and receivables from its clearing broker as shown on the accompanying statement of financial condition. These amounts are subject to loss should the clearing organization cease business.

The Company has cash in a bank in excess of the FDIC insurance coverage of \$250,000. At April 30, 2014, the Company had \$210,372 in excess of this requirement and which is subject to loss should the bank cease operations.

**NOTE 9 - SUBSEQUENT EVENTS**

The Company has performed an evaluation of subsequent events through the date the financial statements were issued. The evaluation did not result in any subsequent events that required disclosures and/or adjustments.