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

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

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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 1/1/2013 AND ENDING 12/31/2013  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Private Portfolio, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

7534 La Jolla Blvd.

(No. and Street)

La Jolla, California 92037

(City)

(State)

(Zip Code)

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

Daniel Barba

(858) 551-2071

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

BOROS & FARRINGTON

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

11770 Bernardo Plaza Court, Suite 210, San Diego, CA 92128

(Address)

(City)

(State)

CHECK ONE:

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

SECURITIES AND EXCHANGE COMMISSION  
RECEIVED  
FEB 14 2014  
DIVISION OF TRADING & MARKETS

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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).

11/17/14

**PRIVATE PORTFOLIO, INC.**

**Financial Statements  
And  
Independent Auditor's Report  
Year Ended December 31, 2013**

## OATH OR AFFIRMATION

I, Daniel Barba, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Private Portfolio, Inc., as of December 31, 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:

None

Signature

Title

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 Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation of 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).

# PRIVATE PORTFOLIO, INC.

## Table of Contents

	<i>Page</i>
Independent Auditor's Report.....	1-2
<b>Audited Financial Statements:</b>	
Statement of Financial Condition .....	3
Statement of Income .....	4
Statement of Changes in Stockholder's Equity .....	5
Statement of Liabilities Subordinated to Claims of General Creditors .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements.....	7-8
<b>Other Financial Information:</b>	
Schedule I - Computation of Net Capital Pursuant to Rule 15c3-1.....	9
Schedule II - Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.....	10
Schedule III - Information Relating to the Possession or Control Requirements Pursuant to Rule 15c3-3 .....	11
Independent Auditor's Supplementary Report on Internal Control Structure Required by Rule 17a-5.....	12-13

# **Boros & Farrington**

CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Corporation

11770 Bernardo Plaza Court • Suite 210  
San Diego, CA 92128-2424  
(858) 487-8518 • Fax (858) 487-6794  
boros@farrington@ma.com

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Private Portfolio, Inc.

We have audited the accompanying financial statements of Private Portfolio, Inc. which comprise the statements of financial condition as of December 31, 2013, and the related statements of income, changes in stockholder's equity, liabilities subordinated to claims of general creditors, and cash flows for the year then ended, 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 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements 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 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 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 statements referred to above present fairly, in all material respects, the financial position of Private Portfolio, Inc. as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information contained in Schedules I, II, and III is required by Rule 17a-5 under the Securities Exchange Act of 1934 and is presented for purposes of additional analysis and is not a required part of the financial statements. 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.

*Boros & Farrington APC*

Boros & Farrington APC  
San Diego, California  
January 24, 2014

**PRIVATE PORTFOLIO, INC.**

**Statement of Financial Condition**

**December 31, 2013**

**ASSETS**

Cash	\$139,927
Deposit with clearing organization	100,000
Commission receivable	135,718
Prepaid expenses and other assets	1,800
Furniture and equipment, less accumulated depreciation of \$36,204	<u>4,579</u>
	<u>\$382,024</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

<b>Liabilities</b>	
Accounts payable and accrued liabilities	<u>\$117,529</u>
<b>Stockholder's equity</b>	
Common stock, 100,000 shares authorized	131,816
Retained earnings	<u>132,679</u>
Total stockholder's equity	<u>264,495</u>
	<u>\$382,024</u>

*See notes to financial statements.*

# PRIVATE PORTFOLIO, INC.

## Statement of Income

Year Ended December 31, 2013

Revenues	
Commissions	\$1,635,543
Administration fees and other	480,796
Interest and dividends	<u>4,555</u>
	<u>2,120,894</u>
Expenses	
Commissions and clearing charges	1,721,022
Compensation and employee benefits	293,775
Regulatory fees	18,823
Outside services	15,505
Office supplies and printing	16,018
Rent	14,794
Telephone and postage	11,375
Travel and entertainment	4,589
Depreciation	5,593
Interest and bank charges	653
Other	<u>12,205</u>
	<u>2,114,352</u>
Net income	<u>\$ 6,542</u>

*See notes to financial statements.*

## PRIVATE PORTFOLIO, INC.

### Statement of Changes in Stockholder's Equity Year Ended December 31, 2013

	<i>Common Stock</i>		<i>Retained</i>	<i>Total</i>
	<i>Shares</i>	<i>Amount</i>	<i>Earnings</i>	
Balance, beginning of year	1,000	\$131,816	\$126,137	\$257,953
Net income	<u>-</u>	<u>-</u>	<u>6,542</u>	<u>6,542</u>
Balance, end of year	<u>1,000</u>	<u>\$131,816</u>	<u>\$132,679</u>	<u>\$264,495</u>

### Statement of Liabilities Subordinated to Claims of General Creditors Year Ended December 31, 2013

Balance, beginning of year	\$ -
Increases	-
Decreases	<u>-</u>
Balance, end of year	<u>\$ -</u>

*See notes to financial statements.*

# PRIVATE PORTFOLIO, INC.

## Statement of Cash Flows Year Ended December 31, 2013

Cash flows from operating activities	
Net income	\$ 6,542
Adjustments to reconcile net income to net cash from operating activities	
Depreciation	5,593
Changes in operating assets and liabilities	
Commissions receivable	39,495
Other receivables	2,000
Accounts payable and accrued liabilities	<u>(55,372)</u>
Net cash from operating activities	<u>(1,742)</u>
Cash flows from investing activities	
Capital expenditures	<u>(687)</u>
Cash flows from financing activities	
Distributions	<u>-</u>
Net decrease in cash	(2,429)
Cash, beginning of year	<u>142,356</u>
Cash, end of year	<u>\$ 139,927</u>
Supplemental disclosure of cash flow information:	
Interest paid	<u>\$ 115</u>
Income taxes paid	<u>\$ 800</u>

*See notes to financial statements.*

# PRIVATE PORTFOLIO, INC.

## Notes to Financial Statements

### 1. THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES

**The Company.** Private Portfolio, Inc. (the "Company") is a registered broker-dealer licensed by the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. The Company provides broker-dealer services as an introducing broker-dealer clearing customer transactions through another broker-dealer on a fully disclosed basis.

**Accounting Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates 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 revenues and expenses during the reporting period. Actual results may differ from those estimates.

**Revenue Recognition.** Security transactions and the related commission revenue are recorded on a settlement date basis.

**Furniture and Equipment.** Furniture and equipment is stated at cost. Additions, renovations, and improvements are capitalized. Maintenance and repairs which do not extend asset lives are expensed as incurred. Depreciation is provided on the straight-line method over the estimated useful lives of the assets (generally 3-7 years).

**Income Taxes.** The Company has elected S corporation status under the state and federal tax laws. Accordingly, income or losses pass through to the Company's stockholder, and no provision for federal income taxes has been reflected in the accompanying financial statements. State income taxes have been provided at the reduced rate applicable to S corporations.

**Concentration of Credit Risk.** The company maintains cash balances with various financial institutions. Management performs periodic evaluations of the relative credit standing of these institutions. The Company has not sustained any material credit losses from these instruments.

**Financial Instruments.** The carrying values reflected in the statement of financial condition at December 31, 2013 reasonably approximate the fair values for financial instruments. In making such assessment, the Company has utilized discounted cash flow analyses, estimates, and quoted market prices as appropriate. No allowance for potential credit losses was considered necessary at December 31, 2013.

### 2. LEASE COMMITMENT

The Company leases its offices under a short-term operating lease.

### 3. NET CAPITAL REQUIREMENTS

Under Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital (as defined) and a ratio of aggregate indebtedness to net capital (as defined) not exceeding 15 to 1.

The Company's ratio at December 31, 2013 was 0.46 to 1. The basic concept of the Rule is liquidity, its object being to require a broker-dealer in securities to have at all times sufficient liquid assets to cover its current indebtedness. At December 31, 2013, the Company had net capital of \$258,116 was \$158,116 in excess of the amount required by the SEC.

# PRIVATE PORTFOLIO, INC.

## Notes to Financial Statements

### 4. COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS AND INFORMATION RELATING TO THE POSSESSION AND CONTROL REQUIREMENTS UNDER RULE 15c3-3

The Company relies on Section K (2) (ii) of the Securities Exchange Rule 15c3-3 to exempt them from the provisions of these rules.

### 5. OFF BALANCE SHEET RISK

As discussed in Note 1, the Company does not hold customer segregated cash or securities balances. Transactions are processed by a clearing firm on a fully disclosed basis. In conjunction with this arrangement, the Company is contingently liable for any unsecured debit balances in the customer accounts introduced by the Company. These customer activities may expose the Company to off-balance-sheet credit risk in the event the introduced customer is unable to fulfill its contracted obligations. The Company seeks to control such credit risk by monitoring its exposure to the risk of loss daily, on an account-by-account basis. At December 31, 2013, the Company was not responsible for any unsecured debits and did not have any open positions in its trading accounts.

\*\*\*\*\*

# PRIVATE PORTFOLIO, INC.

## Schedule I Computation of Net Capital Pursuant to Rule 15c3-1

December 31, 2013

	<i>Audited Financial Statements</i>	<i>FOCUS X-17A-5 Part IIA</i>	<i>Differences</i>
Total stockholder's equity	\$264,495	\$267,688	\$(3,193)
Less non-allowable assets			
Prepaid expenses and other assets	(1,800)	(1,800)	-
Furniture and equipment	<u>(4,579)</u>	<u>(7,772)</u>	<u>3,193</u>
Net capital	<u>\$258,116</u>	<u>\$258,116</u>	<u>\$ -</u>
Total aggregate indebtedness	<u>\$117,529</u>	<u>\$117,529</u>	<u>\$ -</u>
Ratio of aggregate indebtedness to net capital	<u>0.46</u>	<u>0.46</u>	
Minimum net capital required	<u>\$100,000</u>	<u>\$100,000</u>	

*Note: The differences between the net capital reported above and the net capital reported on form FOCUS X-17A-5 Part IIA as of December 31, 2013 result primarily from audit adjustments to accumulated depreciation.*

**PRIVATE PORTFOLIO, INC.**

**Schedule II  
Computation for Determination of Reserve Requirements  
Pursuant to Rule 15c3-3**

**December 31, 2013**

The Company is exempt from Rule 15c3-3 under the exemptive provisions of section (k)(2)(ii) and, accordingly, has no reserve requirements. Consequently, a reserve requirement was not calculated in Part II of Form X-17A-5 of this Company's FOCUS report as of December 31, 2013; and a reconciliation to that calculation is not included herein.

**PRIVATE PORTFOLIO, INC.**

**Schedule III  
Information Relating to the Possession or Control Requirements  
Pursuant to Rule 15c3-3**

**December 31, 2013**

The Company is exempt from Rule 15c3-3 under the exemptive provisions of section (k)(2)(ii) and, accordingly, has no possession or control requirements.

**INDEPENDENT AUDITOR'S SUPPLEMENTARY  
REPORT ON INTERNAL CONTROL STRUCTURE**

Board of Directors  
Private Portfolio, Inc.:

In planning and performing our audit of the financial statements and supplementary schedules of Private Portfolio, Inc. (the "Company") for the year ended December 31, 2013, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on 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 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 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.
2. Recordation of differences required by rule 17a-13.
3. 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 above-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 or the practices and procedures referred to above, errors 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.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal

course of performing their assigned functions. We noted no matters involving the control environment and accounting system and their operation that we consider to be a material weakness as defined above.

We understand that the practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission 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 were adequate at December 31, 2013, to meet the SEC's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, and other regulatory agencies which rely on rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used by anyone other than these specified parties.

*Boros & Farrington APC*

Boros & Farrington APC  
January 24, 2014  
San Diego, California

# Boros & Farrington

CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Corporation

11770 Bernardo Plaza Court • Suite 210  
San Diego, CA 92128-2424  
(858) 487-8511 • Fax (858) 487-6790  
borosfarrington@msn.com

## SIPC SUPPLEMENTAL REPORT

Board of Directors  
Private Portfolio, Inc.:

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying General Assessment Reconciliation (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2013, which were agreed to by Private Portfolio, Inc. (the "Company") and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). The Company's management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2013, with the amounts reported in Form SIPC-7 for the year ended December 31, 2013 noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences; and
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Boros & Farrington APC*

Boros & Farrington APC  
January 24, 2014  
San Diego, California

**PRIVATE PORTFOLIO, INC.**

**Determination of "SIPC Net Operating Revenues"  
General Assessment  
And Schedule of Payments  
Pursuant to SEC Rule 17a-5(e)(4)**

**Year Ended December 31, 2013**

Total revenue	\$2,120,894
<b>Deductions</b>	
Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures	(153,642)
Interest expense	<u>(115)</u>
SIPC net operating revenues	<u>\$1,967,137</u>
General assessment @ .0025	\$ 4,918
Less payment July 25, 2013	<u>(2,323)</u>
Assessment balance due	<u>\$ 2,595</u>