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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20540

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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 January 1, 2013 AND ENDING December 31, 2013
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Sterling Monroe Securities, LLC
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
168 Forest Avenue

OFFICIAL USE ONLY
FIRM I.D. NO.

Locust Valley New York 11560
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Monroe Diefendorf, Jr. (516-759-5735)
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Breard & Associates, Inc. Certified Public Accountants

9221 Corbin Avenue, Suite 170 Northridge California 91324
(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)

3/18/14

OATH OR AFFIRMATION

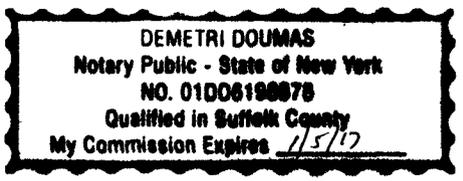
I, Monroe M. Diefendorf, Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Sterling Monroe Securities, LLC, as of December 31, 20 13, are true and correct. I further swear (or affirm) that neither 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:

State of NEW YORK
County of NASSAU
Subscribed and sworn to (or affirmed) before me on this 21st day of FEBRUARY, 2014 by MONROE M. DIEFENDORF proved to me on the basis of satisfactory evidences to be the person who appeared before me.
[Signature]
Notary Public

[Signature]

Signature
[Title]

Title



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.
- (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).



BREARD & ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors
Sterling Monroe Securities, LLC:

Report on the Financial Statement

We have audited the accompanying statement of financial condition of Sterling Monroe Securities, LLC, (the Company) as of December 31, 2013 and the related notes to 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 financial statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

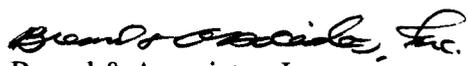
Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 present fairly, in all material respects, the financial position of Sterling Monroe Securities, LLC as of December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.



Breard & Associates, Inc.
Certified Public Accountants

New York, New York
February 20, 2014

Sterling Monroe Securities, LLC.
Statement of Financial Condition
December 31, 2013

Assets

Cash	\$	52,297
Deposit with clearing organization		15,000
Commissions receivable		34,598
Property and equipment, net		6,722
Other receivables		173
Prepaid expense		29,074
Total assets	\$	<u>137,864</u>

Liabilities and Member's Equity

Liabilities

Accounts payable and accrued expenses	\$	<u>24,817</u>
Total liabilities		24,817

Member's equity

Member's equity		<u>113,047</u>
Total member's equity		<u>113,047</u>
Total liabilities and member's equity	\$	<u>137,864</u>

The accompanying notes are an integral part of these financial statements.

Sterling Monroe Securities, LLC.
Notes to Financial Statements
December 31, 2013

Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Sterling Monroe Securities, LLC. (the "Company") was organized in the State of New York on May 1, 2002. The Company is a registered broker-dealer in securities under the Securities and Exchange Act of 1934, a member of the Financial Industry Regulatory Authority ("FINRA"), and the Securities Investor Protection Corporation ("SIPC").

The Company operates as an introductory security dealer, earning commissions on investments recommended through financial planning activities of related companies. The Company also earns commissions through the sale of variable annuities.

The Company is 100% owned by The Diefendorf Family Trust, effective December 12, 2012.

Summary of Significant Accounting Policies

The presentation 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Commissions receivable are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

Receivable from clearing organizations represents commissions earned on securities transactions. These receivables are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible

Securities transactions are recorded on a trade date basis with related commission income and expenses also recorded on a trade date basis.

Property and equipment are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized.

Advertising costs are expensed as incurred. For the year ended December 31, 2013, advertising expense was \$3,393.

Sterling Monroe Securities, LLC.

Notes to Financial Statements

December 31, 2013

**Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

The Company is treated as a disregarded entity for federal income tax purposes, in accordance with single member limited liability company rules. All tax effects of the Company's income or loss are passed through to the member. Therefore, no provision or liability for Federal Income Taxes is included in these financial statements.

The Company has evaluated events subsequent to the balance sheet date for items requiring recording or disclosure in the financial statements. The evaluation was performed through the date the financial statements were available to be issued. Based upon this review, the Company has determined that there were no events which took place that would have a material impact on its financial statements.

Note 2: DEPOSIT WITH CLEARING ORGANIZATION

The Company has a brokerage agreement with Sterne Agee Clearing Inc. ("Clearing Broker") to carry its account and the accounts of its clients as customers of the Clearing Broker. The Clearing Broker has custody of the Company's cash balances which serve as collateral for any amounts due to the Clearing Broker as well as collateral for securities sold short or securities purchased on margin. Interest is paid monthly on these cash deposits at the average overnight repurchase rate. The balance at December 31, 2013 was \$15,000.

Note 3: PROPERTY AND EQUIPMENT, NET

Property and equipment are recorded net of accumulated depreciation and summarized by major classification as follows:

		<u>Useful Life</u>
Computer equipment	\$ 8,390	5
Office equipment	<u>6,146</u>	5-7
Total cost of property and equipment	14,536	
Less: accumulated depreciation	<u>(7,814)</u>	
Property and equipment, net	<u>\$ 6,722</u>	

Depreciation expense for the year ended December 31, 2013 was \$1,668.

Sterling Monroe Securities, LLC.

Notes to Financial Statements

December 31, 2013

Note 4: INCOME TAXES

As discussed in the Summary of Significant Accounting Policies (Note 1), the Company operates as a limited liability company treated as a disregarded entity for tax purposes. Accordingly, all tax effects of the Company's income or loss are passed through to the member and no provision or liability for Federal Income Taxes is included in these financial statements.

The Company is required to file income tax returns in both federal and state tax jurisdictions. The Company's tax returns are subject to examination by taxing authorities in the jurisdictions in which it operates in accordance with the normal statutes of limitations in the applicable jurisdiction. For federal purposes, the statute of limitations is three years. Accordingly, the company is no longer subject to examination of federal returns filed more than three years prior to the date of these financial statements. The statute of limitations for state purposes is generally three years, but may exceed this limitation depending upon the jurisdiction involved. Returns that were filed within the applicable statute remain subject to examination. As of December 31, 2013, the IRS has not proposed any adjustment to the Company's tax position.

Note 5: CHARITABLE CONTRIBUTIONS

During 2013 the Company made donations of \$80,000 to Family Legacy Missions International, an organization that operates facilities to aid orphans and vulnerable children in Zambia. This is the first year the Company has made such donations. The donations are included in Other Operating Expenses on the Statement of Income.

Note 6: COMMISSIONS AND BONUSES TO LICENSED REPRESENTATIVES

The firm compensates a number of licensed representatives contractually based on the revenues they help the firm generate, in the form of commissions and bonuses. Additional commissions and bonus are paid to the firm's principal on a discretionary basis. During 2013, \$139,000 was paid out to the principal under this arrangement.

Note 7: RELATED PARTY TRANSACTIONS

Under an Expense Agreement between the Company and Diefendorf Management Services, LLC ("DMS") originally dated July 1, 2004, and revised January 1, 2012, the Company pays DMS \$9,000 a month in management fees. The management fees represent a reimbursement of allocated operating costs for administrative and support salaries, computer maintenance, supplies, communications and postage. For 2013, management fees amounted to \$108,000 and are included on the accompanying Statement of Income.

Sterling Monroe Securities, LLC.

Notes to Financial Statements

December 31, 2013

**Note 7: RELATED PARTY TRANSACTIONS
(Continued)**

In addition, the Expense Agreement includes a \$1,000 per month charge for the office space at 168 Forest Avenue, Locust Valley New York, payable to a related Diefendorf family entity, 93 Main Street Associates. Total rent for 2013 was \$12,000, and is included in the accompanying Statement of Income.

Under a separate arrangement, the Company paid DMS \$2,000 per month for software licensing in 2013, or \$24,000 for the year. This expense is included under "Other Operating Expenses" in the accompanying Statement of Income.

It is possible that the terms of certain of the related party transactions are not the same as those that would result for transactions among wholly unrelated parties.

Note 8: COMMITMENTS

As discussed in Note 7, the Company is obligated to pay rent of \$12,000 per annum under a year to year office leasing arrangement with 93 Main Street Associates.

Note 9: CAPTIVE INSURANCE COMPANY PAYMENTS

During 2013, the Company made payments totaling \$32,500 to a Captive Insurance Company owned by Oxford Management Company, LLC, located in state of Tennessee. These payments were made in order to provide a reserve against potential insurance claims that fall under the firm's Errors and Omissions insurance coverage policy deductible. No losses have been incurred to date.

Note 10: IDENTITY THEFT RED FLAG RULES

Effective November 2013, new SEC "Red Flag Rules" require all financial institutions and creditors (including broker-dealers) that hold certain covered accounts to develop and implement a written identity theft prevention program. The Company is currently reviewing its potential compliance exposure under the new rules.

Sterling Monroe Securities, LLC.

Notes to Financial Statements

December 31, 2013

Note 11: CONCENTRATIONS OF CREDIT RISK

The Company is engaged in various trading and brokerage activities in which counter-parties primarily include broker-dealers, banks, and other financial institutions. In the event counter-parties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counter-party or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counter-party.

Note 12: RECENTLY ISSUED ACCOUNTING STANDARDS

The Financial Accounting Standards Board (the "FASB") has established the Accounting Standards Codification ("Codification" or "ASC") as the authoritative source of generally accepted accounting principles ("GAAP") recognized by the FASB. The principles embodied in the Codification are to be applied by nongovernmental entities in the preparation of financial statements in accordance with GAAP in the United States. New accounting pronouncements are incorporated into the ASC through the issuance of Accounting Standards Updates ("ASUs").

For the year ending December 31, 2013, various ASUs issued by the FASB were either newly issued or had effective implementation dates that would require their provisions to be reflected in the financial statements for the year then ended. The Company has reviewed the following ASU releases to determine relevance to the Company's operations:

<u>ASU No.</u>	<u>Title</u>	<u>Effective Date</u>
2011-05	Comprehensive Income (Topic 220): Presentation of Comprehensive Income (June 2011).	After December 15, 2011
2011-11	Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities (December 2011).	After January 1, 2013
2011-12	Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 (December 2011)	After December 15, 2011

Sterling Monroe Securities, LLC.
Notes to Financial Statements
December 31, 2013

Note 12: RECENTLY ISSUED ACCOUNTING STANDARDS
(Continued)

2013-02	Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (February 2013)	After December 15, 2013
2013-11	Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (July 2013).	After December 15, 2013

The Company has either evaluated or is currently evaluating the implications, if any, of each of these pronouncements and the possible impact they may have on the Company's financial statements. In most cases, management has determined that the pronouncement has either limited or no application to the company and, in all cases, implementation would not have a material impact on the financial statements taken as a whole.

Note 13: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC 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. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. Net capital and aggregate indebtedness change day to day, but on December 31, 2013, the Company had net capital of \$77,078 which was \$72,078 in excess of its required net capital of \$5,000; and the Company's ratio of aggregate indebtedness (\$24,817) to net capital was 0.32 to 1, which is less than the 15 to 1 maximum allowed.