

KH  
5/2



SECURIT 14046309

IN SE  
Mail Processing  
Sector

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	March 31, 2016
Estimated average burden hours per response.....	12.00

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

MAR 18 2014

SEC FILE NUMBER
8- <del>1111</del>

FACING PAGE

Washington DC  
405

8-47719

**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 02/01/2013 AND ENDING 01/31/2014  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: SMC Financial, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
4000 WEST 114TH STREET, SUITE 160

(No. and Street)

LEAWOOD

KS

66211

(City)

(State)

(Zip Code)

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

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

EKS&H LLLP

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

7979 EAST TUFTS AVE., STE. 400 DENVER

CO

80237

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

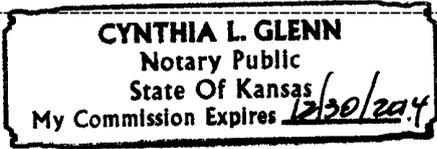
**FOR OFFICIAL USE ONLY**

\*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)

KH  
5/2

OATH OR AFFIRMATION

I, BRUCE E. BOWER, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SMC FINANCIAL, INC. of JANUARY 31, 20 14, 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:



Signature of Bruce E. Bower

PRESIDENT Title

Cynthia L. Glenn 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 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).

**SEC  
Mail Processing  
Section**

**MAR 18 2014**

**Washington DC  
405**

**SMC FINANCIAL, INC.**

**Financial Statements  
and  
Independent Auditors' Report  
January 31, 2014**

# SMC FINANCIAL, INC.

## Table of Contents

	<u>Page</u>
Independent Auditors' Report .....	1
Financial Statements	
Statement of Financial Condition .....	3
Statement of Income .....	4
Statement of Changes in Stockholder's Equity .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7
Supplementary Information	
Schedule I - Computation of Aggregate Indebtedness and Net Capital Pursuant to Rule 15c3-1 of the Securities and Exchange Commission.....	11
Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5 .....	12

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors and Stockholder  
SMC Financial, Inc.  
Leawood, Kansas

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of SMC Financial, Inc., which are comprised of the statement of financial condition as of January 31, 2014, and the related statements of income, changes in stockholder's equity, and cash flows for the year 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 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 statements are 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 auditors consider 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 SMC Financial Inc. as of January 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**OTHER MATTER**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary 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 in Schedule I 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 in Schedule I is fairly stated, in all material respects, in relation to the financial statements as a whole.

*EKS&H LLLP*  
EKS&H LLLP

March 10, 2014  
Denver, Colorado

**SMC FINANCIAL, INC.**

**Statement of Financial Condition  
January 31, 2014**

**Assets**

Assets	
Cash	\$ <u>47,084</u>
Total assets	\$ <u><u>47,084</u></u>

**Liabilities and Stockholder's Equity**

Liabilities	
Income taxes payable	<u>117</u>
Total liabilities	<u>117</u>
Contingencies	
Stockholder's equity	
Common stock, \$0.10 par value, 10,000 shares authorized, 1,000 shares issued and outstanding	1,000
Additional paid-in capital	11,000
Retained earnings	<u>34,967</u>
Total stockholder's equity	<u>46,967</u>
Total liabilities and stockholder's equity	\$ <u><u>47,084</u></u>

See notes to financial statements.

SMC FINANCIAL, INC.

Statement of Income  
For the Year Ended January 31, 2014

Revenues	\$ 48,744
Expenses	
Professional fees	8,801
Regulatory registration fees	1,720
Other	<u>1,200</u>
Total expenses	<u>11,721</u>
Income from operations	37,023
Interest income	<u>30</u>
Income before income taxes	37,053
Income taxes - current	<u>(6,757)</u>
Net income	<u>\$ 30,296</u>

See notes to financial statements.

**SMC FINANCIAL, INC.**

**Statement of Changes in Stockholder's Equity  
For the Year Ended January 31, 2014**

	Common Stock		Additional	Retained	Total
	Shares	Amount	Paid-In Capital	Earnings	Stockholder' s Equity
Balance - January 31, 2013	1,000	\$ 1,000	\$ 11,000	\$ 44,671	\$ 56,671
Distributions	-	-	-	(40,000)	(40,000)
Net income	-	-	-	30,296	30,296
Balance - January 31, 2014	<u>1,000</u>	<u>\$ 1,000</u>	<u>\$ 11,000</u>	<u>\$ 34,967</u>	<u>\$ 46,967</u>

See notes to financial statements.

**SMC FINANCIAL, INC.**

**Statement of Cash Flows  
For the Year Ended January 31, 2014**

Cash flows from operating activities	
Net income	\$ 30,296
Adjustments to reconcile net income to net cash provided by operating activities	
Changes in assets and liabilities	
Income tax payable	<u>(1,851)</u>
Net cash provided by operating activities	<u>28,445</u>
Cash flows from financing activities	
Distributions to stockholder	<u>(40,000)</u>
Net cash used by financing activities	<u>(40,000)</u>
Net decrease in cash	(11,555)
Cash - beginning of year	<u>58,639</u>
Cash - end of year	<u>\$ 47,084</u>

Supplemental disclosure of cash flow information:

Cash paid for income taxes was \$8,608 for the year ended January 31, 2014.

See notes to financial statements.

# SMC FINANCIAL, INC.

## Notes to Financial Statements

### **Note 1 - Description of Business and Summary of Significant Accounting Policies**

SMC Financial, Inc. (the "Company") was incorporated in the state of Kansas on September 26, 1994. The Company is engaged in the brokerage of financial products, consisting primarily of variable annuity contracts, to the general public and accredited investors. The Company's business is predominantly located within the Kansas City metropolitan area.

The Company is registered with the Securities and Exchange Commission ("SEC") and is also a member of the Financial Industry Regulatory Authority ("FINRA"). The Company operates pursuant to paragraph (k)(2)(B) of Rule 15c3-3 of the Security Exchange Act of 1934 (the "Act") and does not carry customer accounts or clear customer transactions. As a result, the Company is exempt from the remaining provisions and requirements of Rule 15c3-3 of the Act.

As discussed in Note 2, the expenses of the Company are incurred by a related party and allocated to the Company proportionately. Accordingly, this affiliation and other related party disclosures must be taken into consideration in reviewing the accompanying financial statements. The operating results of the Company could vary significantly from those that would have been obtained had the Company operated independently.

#### Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company had no cash equivalents as of January 31, 2014.

#### Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash. The Company places its temporary cash investments with what management believes are high-credit, quality financial institutions.

During the year ended January 31, 2014, two customers accounted for approximately 37% and 61% of total revenue, respectively.

#### Revenue Recognition

The Company recognizes revenue from customers' security transactions on a trade-date basis.

#### Income Taxes

The Company recognizes deferred tax liabilities and assets based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. There were no such basis differences as of January 31, 2014. If incurred, the Company recognizes interest and/or penalties related to income tax matters in income tax expense.

# SMC FINANCIAL, INC.

## Notes to Financial Statements

### **Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)**

#### **Income Taxes (continued)**

The Company has adopted the pronouncements of Accounting Standards Codification Topic 740-10-50, *Accounting for Uncertain Tax Positions*, which clarify the accounting for uncertainty in tax positions recognized in the financial statements. Under these provisions, the Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The result of the reassessment of tax positions in accordance with these provisions did not have an impact on the Company's financial statements. Tax years that remain subject to examination by taxing authorities are all years back to and including 2009 and 2010 for state and federal income tax returns, respectively.

#### **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 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 could differ from those estimates.

### **Note 2 - Related Party Transactions**

The Company executed business, by subscription, in variable annuity contracts and load mutual funds. Pursuant to an agreement with the Company, Wealth Management Advisors, Inc., an unaffiliated company, pays certain expenses incurred by the Company, including rent, salaries, and other administrative expenses. During the year ended January 31, 2014, the Company paid \$1,200 in management fees under the agreement.

### **Note 3 - Net Capital Requirement**

The Company is subject to the SEC Uniform Net Capital Rule ("SEC Rule 15c3-1"), which requires the maintenance of minimum net capital of \$5,000. The Company's net capital as of January 31, 2014 was \$46,967, of which \$41,967 is eligible for distribution. Net capital may fluctuate on a daily basis. Additionally, SEC Rule 15c3-1 requires that the aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The Company's net capital ratio was 0.25% as of January 31, 2014.

### **Note 4 - Contingencies**

During the normal course of business, the Company is subject to inquiries by the SEC as well as FINRA. Management does not believe the impact of such inquiries will have a material effect, if any, on the accompanying financial statements.

**SMC FINANCIAL, INC.**

**Notes to Financial Statements**

**Note 5 - Subsequent Events**

The Company has evaluated events through the auditors' report date, which is the date the financial statements were available for issuance. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**SUPPLEMENTARY INFORMATION**

**SMC FINANCIAL, INC.**

**Schedule I - Computation of Aggregate Indebtedness and  
Net Capital Pursuant to Rule 15c3-1 of the Securities and Exchange Commission  
January 31, 2014**

**Net Capital**

Total stockholder's equity	\$ 46,967
Additions/deductions	
None	<u>          -</u>
Net capital	<u>\$ 46,967</u>

**Aggregate Indebtedness**

Income taxes payable	<u>\$ 117</u>
Total aggregate indebtedness	<u>\$ 117</u>

**Computation of Basic Net Capital Requirements**

Required minimum net capital (greater of \$5,000 or 6 2/3% of aggregate indebtedness)	<u>\$ 5,000</u>
Net capital in excess of minimum requirement	<u>\$ 41,967</u>
Ratio of aggregate indebtedness to net capital	<u>0.25%</u>

Reconciliation with Company's computation:

There is no difference from the Company's computations included in its Part II of Form X-17A-5 as of January 31, 2014 and the audited computation above.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
REQUIRED BY SEC RULE 17a-5**

Board of Directors and Stockholder  
SMC Financial, Inc.  
Leawood, Kansas

In planning and performing our audit of the financial statements of SMC Financial, Inc. (the "Company") as of and for the year ended January 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.

Board of Directors and Stockholder  
SMC Financial, Inc.

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 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, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs of this report and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

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 January 31, 2014 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, stockholder, management, the SEC, the Financial Industry Regulatory Authority, 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.

*EKS+H LLLP*  
EKS&H LLLP

March 10, 2014  
Denver, Colorado