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

*CW*

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 01/01/2014 AND ENDING 12/31/2014  
MM/DD/YY MM/DD/YY

### A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Madison Avenue Securities, Inc.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
15050 Avenue of Science, Suite 150

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)  
San Diego CA 92128  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Connie Knapp 858-207-1305  
(Area Code - Telephone Number)

### B. ACCOUNTANT IDENTIFICATION

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

**PKF**

(Name - if individual, state last, first, middle name)  
2020 Camino del Rio North, Suite 500 San Diego CA 92108  
(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)

*AS  
3/16*

OATH OR AFFIRMATION

I, Wayne Talleur, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Madison Avenue Securities, Inc. of December 31st, 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:

Wayne Talleur Signature
President Title

See Attached 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.

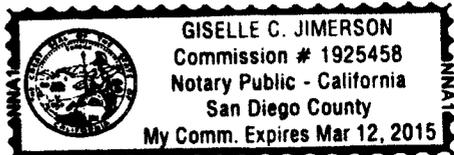
\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  
County of San Diego

Subscribed and sworn to (or affirmed) before me on this 25  
day of Feb, 2015, by Wayne F Talleur

proved to me on the basis of satisfactory evidence to be the  
person(s) who appeared before me.



(Seal)

Signature Giselle C Jimerson

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MADISON AVENUE SECURITIES, INC.

ANNUAL FILING IN ACCORDANCE  
WITH RULE 17a-5

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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**PKF**

MADISON AVENUE SECURITIES, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder  
Madison Avenue Securities, Inc.  
San Diego, California

We have audited the accompanying financial statements of Madison Avenue Securities, Inc., which comprise the statement of financial condition as of December 31, 2014, and the related statements of operations, 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 and supplemental information. Madison Avenue Securities, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Madison Avenue Securities, Inc. is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Madison Avenue Securities, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of Madison Avenue Securities, Inc. as of December 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.

The supplementary information contained in Schedules I, II III and IV has been subjected to audit procedures performed in conjunction with the audit of Madison Avenue Securities, Inc.'s financial statements. The supplemental information is the responsibility of Madison Avenue Securities, Inc.'s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with Rule 17a-5 of the Securities Exchange Act of 1934. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

San Diego, California  
February 26, 2015

  
PKF  
Certified Public Accountants  
A Professional Corporation

## INDEPENDENT AUDITORS' REPORT

To the Stockholder of  
Madison Avenue Securities, Inc.  
San Diego, California

### **Report on the Financial Statements**

We have audited the financial statements of Madison Avenue Securities, Inc. (the "Company"), which comprise the statement of financial condition as of December 31, 2013, and the related statements of operations, 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.

### **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 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 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 Company'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 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 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 Madison Avenue Securities, Inc. as of December 31, 2013, 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 Matters

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

San Diego, California  
February 21, 2014

PKF

PKF  
Certified Public Accountants  
A Professional Corporation

MADISON AVENUE SECURITIES, INC.  
 STATEMENTS OF FINANCIAL CONDITION  
 December 31, 2014 and 2013

	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,070,981	\$ 1,564,963
Security positions, market value	9,338	-
Commissions receivable	411,259	263,059
Registered representative receivables, net	81,529	61,394
Prepaid expenses	60,496	77,586
Related party receivable	-	75,233
Income taxes receivable	840	1,800
Deferred tax assets	62,000	46,000
Total current assets	2,696,443	2,090,035
Property and equipment, net	91,059	1,980
Deposits with clearing organizations	100,000	100,000
Goodwill	64,000	64,000
Deferred tax assets	127,000	333,000
Total assets	\$ 3,078,502	\$ 2,589,015
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 65,224	\$ 154,586
Accrued liabilities	159,673	97,711
Commissions payable	828,227	535,408
Employment liabilities	174,070	260,376
Other liabilities	66,154	71,668
Total liabilities	1,293,348	1,119,749
<b>COMMITMENTS AND CONTINGENCIES (Note 9)</b>		
<b>STOCKHOLDER'S EQUITY</b>		
Common stock, \$0.10 par value;		
Authorized shares - 2,000,000;		
Outstanding shares - 1,000,000	100,000	100,000
Additional paid-in-capital	3,276,416	3,276,416
Accumulated deficit	(1,591,262)	(1,907,150)
Total stockholder's equity	1,785,154	1,469,266
Total liabilities and stockholder's equity	\$ 3,078,502	\$ 2,589,015

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

MADISON AVENUE SECURITIES, INC.  
 STATEMENTS OF OPERATIONS  
 For the Years Ended December 31, 2014 and 2013

	2014	2013
<b>Revenues:</b>		
Commission revenue	\$ 15,106,689	\$ 15,589,380
Investment advisory fee revenue	3,569,538	3,217,162
Total commission and investment advisory fee revenue	18,676,227	18,806,542
Trading related revenue	395,001	290,513
Other revenues	2,624,332	2,683,900
Interest	76	2,681
Total revenues	21,695,636	21,783,636
<b>Expenses:</b>		
Commission and fee expense	16,141,496	16,160,042
Employment expense	2,414,436	2,181,899
Operating expense	2,272,540	2,543,127
Trading related expense	319,112	352,650
Interest expense	3,140	3,155
Total expenses	21,150,724	21,240,873
Income before income taxes	544,912	542,763
(Provision) benefit for income taxes	(229,024)	91,487
Net income	\$ 315,888	\$ 634,250

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

MADISON AVENUE SECURITIES, INC.  
 STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY  
 For the Years Ended December 31, 2014 and 2013

	Common Stock Shares	Common Stock Amount	Additional Paid-in- Capital	Accumulated Deficit	Total Stockholder's Equity
Balance at December 31, 2012	1,000,000	\$ 100,000	\$ 3,276,416	\$ (2,141,400)	\$ 1,235,016
Dividends	-	-	-	(400,000)	(400,000)
Net income	-	-	-	634,250	634,250
Balance at December 31, 2013	1,000,000	100,000	3,276,416	(1,907,150)	1,469,266
Net income				315,888	315,888
Balance at December 31, 2014	<u>1,000,000</u>	<u>\$ 100,000</u>	<u>\$ 3,276,416</u>	<u>\$ (1,591,262)</u>	<u>\$ 1,785,154</u>

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

MADISON AVENUE SECURITIES, INC.  
 STATEMENTS OF CASH FLOWS  
 For The Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 315,888	\$ 634,250
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40,474	1,798
Provision for losses - registered representative receivables	(2,699)	5,543
Deferred taxes	190,000	(85,000)
Changes in operating assets and liabilities:		
Security positions - long at market	(9,338)	-
Commissions receivable	(148,200)	178,326
Registered representative receivables	(17,436)	(6,552)
Prepaid expenses	17,090	38,025
Related party receivable	75,233	(62,885)
Income taxes receivable	960	800
Accounts payable	(89,362)	(390,473)
Accrued liabilities	61,962	76,900
Commissions payable	292,819	(256,312)
Employment liabilities	(86,306)	44,069
Other liabilities	(5,514)	(3,499)
Net cash provided by operating activities	<u>635,571</u>	<u>174,990</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	<u>(129,553)</u>	<u>-</u>
Net cash used in investing activities	<u>(129,553)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings on note payable	222,750	213,861
Payments on note payable	(222,750)	(213,861)
Dividends paid	<u>-</u>	<u>(400,000)</u>
Net cash used in financing activities	<u>-</u>	<u>(400,000)</u>
Net increase (decrease) in cash and cash equivalents	506,018	(225,010)
Cash and cash equivalents at beginning of year	<u>1,564,963</u>	<u>1,789,973</u>
Cash and cash equivalents at end of year	<u>\$ 2,070,981</u>	<u>\$ 1,564,963</u>

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

MADISON AVENUE SECURITIES, INC.  
STATEMENTS OF CASH FLOWS (CONTINUED)  
For The Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for income taxes	<u>\$ 22,323</u>	<u>\$ 14,914</u>
Cash paid during the year for interest	<u>\$ 3,140</u>	<u>\$ 3,155</u>

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

MADISON AVENUE SECURITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2014 and 2013

**NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS**

Madison Avenue Securities, Inc., (“MAS” or the “Company”), was incorporated in Delaware on May 5, 2005 and is a wholly owned subsidiary of Asset Marketing Systems Insurance Services, LLC (“Parent” or “AMS”). The Company provides securities investment services as an introducing broker-dealer. The Company maintains a clearing relationship with Pershing, LLC who carries all MAS customer brokerage accounts on a fully disclosed basis. The Company is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”).

The Company also provides investment advisory services.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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, related disclosures at the date of the financial statements, and the amounts of revenues and expenses reported during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, certificates of deposit and money market funds purchased with an original maturity of three months or less to be cash equivalents.

Commissions and Registered Representatives Receivable

Commissions and registered representative receivables at December 31, 2014 and 2013 consist of commission revenues owed to the Company for investments transacted as an introducing broker-dealer and amounts owed from registered representatives. As of December 31, 2014 and 2013, commission receivables were \$411,259 and \$263,059, respectively. As of December 31, 2014 and 2013, receivables from registered representatives were \$81,529 and \$61,394, respectively, net of an allowance for uncollectible accounts of \$1,422 and \$5,543, respectively. The Company monitors losses on a daily basis. The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses and determines the allowance based on historical write-off experience, and specific facts.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to seven years, or the life of the lease if shorter. The Company expenses general repairs and maintenance costs as incurred.

MADISON AVENUE SECURITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2014 and 2013

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenue Recognition

The Company records commission revenues and related expenses on a trade date basis as securities transactions are executed. Investment advisory fee revenues are recorded during the period in which services are provided. Other revenue represents fees related to product support and registered representative support, recognized when the related fees are incurred or services are provided.

Financial Instruments

The Company does not hold financial instruments for trading purposes as part of its business operations. Substantially all of the Company's financial instruments, which include cash and cash equivalents, receivables, security positions, and indebtedness are carried at the amount that approximates their fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, which requires assets and liabilities to be measured at fair value and segregated into one of three levels.

Concentration of Credit Risk

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

For the years ended December 31, 2014 and 2013, commission revenues from three types of investments, Real Estate Investment Trusts, Direct Participation Products, and Investment Advisory, accounted for approximately 66% and 67%, respectively, of total revenues. As of December 31, 2014 and 2013, no registered representative accounted for more than 10% of gross commission revenues.

The Company maintains its bank accounts at one financial institution located in California. Funds are insured to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). As of December 31, 2014 and 2013, the Company had accounts with uninsured cash balances of \$1,827,200 and \$1,314,532, respectively. The Company has not experienced any losses in such accounts and management believes it places its cash on deposit with financially stable institutions.

The Company maintained clearing accounts at a financial institution located in New Jersey. The Securities Investors Protection Corporation ("SIPC") insures customers for up to \$250,000 cash losses and up to \$500,000 in total at these institutions. At December 31, 2014 and 2013, the Company had no uninsured cash balances at these institutions. The Company has not experienced any losses in the accounts and management believes it places its cash on deposit with financially stable institutions.

MADISON AVENUE SECURITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2014 and 2013

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income Taxes

Income taxes are accounted for utilizing the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax bases. These expected future tax consequences are measured based on currently enacted tax rates. The effect of tax rate changes on deferred tax assets and liabilities is recognized in income during the period that includes the enactment date.

The Company accounts for uncertain tax positions in accordance with FASB ASC 740, *Income Taxes* which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FASB ASC 740, the Company may recognize 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 the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. As of December 31, 2014 and 2013, the Company does not have a liability for uncertain tax positions.

The Company's policy is to record interest and penalties on uncertain tax positions as income tax expense. As of December 31, 2014 and 2013, the Company has no interest or penalties related to uncertain tax positions.

Goodwill

Goodwill is accounted for in accordance with FASB ASC 350, *Intangibles – Goodwill and Other*. Under FASB ASC 350, goodwill is no longer amortized but instead is assessed for impairment at least annually. The goodwill recorded on the balance sheet is the result of the acquisition of Ashland Securities, Inc. in November 2005. Management has evaluated the carrying value of the goodwill and determined there are no indicators of impairment at December 31, 2014 and 2013.

Subsequent Events

In early 2015, the Company ceased to be a wholly-owned subsidiary of AMS and converted its tax and entity status to a Delaware LLC. This was completed pursuant to a Share Transfer Agreement by and among AMS and Metcalfe, Inc., a Delaware and Subchapter S corporation. Under this agreement AMS transferred all of the outstanding shares of the Company to Metcalfe, Inc., as part of a corporate reorganization such that the beneficial owners, the same six individuals who own AMS in the same proportions, hold their beneficial ownership of the Company through Metcalfe, Inc. instead of through AMS. Subsequent to the Share Transfer Agreement the beneficial owners of Metcalfe, Inc. entered into negotiations with a third-party to sell a minority interest in the Company. Upon the conversion to an LLC, the Company's tax status changed to non-taxable as it will no longer be subject to income taxes. As a result of this change in tax status, the Company will recognize income tax expense in its 2015 continuing operations of \$189,000, a reduction in current deferred tax assets of \$62,000, and a reduction of noncurrent deferred tax assets of \$127,000.

MADISON AVENUE SECURITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2014 and 2013

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Subsequent Events (continued)

In January 2015, the Company entered into a note payable agreement relating to financed insurance premiums. The terms of the agreement require monthly installments of \$34,658, which would include interest at a rate of 3.28%. The balance is due in October 2015.

Management has evaluated subsequent events, as defined by FASB ASC 855, *Subsequent Events*, through the date that the financial statements were available to be issued on February 26, 2015.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

	2014	2013
Furniture and fixtures	\$ 10,079	\$ 10,079
Equipment	31,657	1,178
Computer equipment	125,173	26,100
Leasehold improvements	4,091	4,091
	171,000	41,448
Less: accumulated depreciation and amortization	(79,942)	(39,468)
Property and equipment, net	\$ 91,058	\$ 1,980

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 was \$40,474 and \$1,798, respectively.

**NOTE 4 – COMMISSIONS PAYABLE**

Commissions payable consist of commission expense due to registered representatives and clearing organizations. As of December 31, 2014 and 2013, \$828,227 and \$535,408, respectively, were payable to registered representatives and clearing organizations.

**NOTE 5 – EMPLOYMENT LIABILITIES**

Employment liabilities at December 31, 2014 and 2013, consist of unpaid and accrued compensation, payroll taxes and paid time off totaling \$174,070 and \$260,376, respectively.

MADISON AVENUE SECURITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2014 and 2013

**NOTE 6 – EMPLOYEE BENEFIT PLAN**

On January 1, 2005, Asset Marketing Systems Insurance Services, LLC instituted a 401(k) plan (the "Plan") in which AMS and the Company's employees may participate if they are 18 years or older and after they have been employed one full month with a minimum one hour of actual service performed. An employee may contribute up to the maximum allowed by Internal Revenue Service ("IRS") regulations. There is no Company matching of employees' contributions.

**NOTE 7 – NET CAPITAL REQUIREMENT**

The Company is subject to Rule 15c3-1(a)(2)(ii) of the Securities Exchange Act of 1934, as amended, which requires that the ratio of aggregate indebtedness to net capital, as defined, not exceed 15 to 1, and that the Company maintain minimum net capital of \$50,000 or 6-2/3% of aggregated indebtedness (\$86,223 and \$74,650 at December 31, 2014 and 2013, respectively), whichever is higher.

At December 31, 2014 and 2013, the Company had net capital of \$1,200,013 and \$754,007, respectively, which was \$1,113,790 and \$679,357, respectively, in excess of its required minimum net capital and the ratios of aggregate indebtedness to net capital were 1.08 to 1 and 1.49 to 1, respectively.

**NOTE 8 – INCOME TAXES**

Significant components of the (provision) benefit for income taxes for the years ended December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Current (provision) benefit:		
Federal	\$ (4,000)	\$ -
State	<u>(35,024)</u>	<u>6,487</u>
	<u>(39,024)</u>	<u>6,487</u>
Deferred (provision) benefit:		
Federal	(180,000)	55,000
State	<u>(10,000)</u>	<u>30,000</u>
	<u>(190,000)</u>	<u>85,000</u>
(Provision) benefit for income taxes	<u>\$ (229,024)</u>	<u>\$ 91,487</u>

MADISON AVENUE SECURITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2014 and 2013

**NOTE 8 – INCOME TAXES (continued)**

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

	2014	2013
Deferred tax assets:		
Start-up costs	\$ 73,000	\$ 85,000
Accrued expenses	64,000	66,000
Net operating losses	48,000	246,000
Bad debt allowance	1,000	2,000
Depreciation and amortization	6,000	2,000
	192,000	401,000
Deferred tax liabilities:		
Prepaid expense	3,000	22,000
	189,000	379,000
Total	189,000	379,000
Valuation allowance	-	-
	Net deferred tax assets	\$ 379,000
	\$ 189,000	\$ 379,000
Net current deferred tax asset	\$ 62,000	\$ 46,000
Net non-current deferred tax asset	127,000	333,000
	\$ 189,000	\$ 379,000

Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and expected carry-forwards are available to reduce taxable income. The Company records a valuation allowance when, in the opinion of management, it is more likely than not, the Company will not realize some or all deferred tax assets. See Subsequent Events under Note 2 regarding the Company's change in tax status in 2015 and realization of the deferred tax assets. The valuation allowance was unchanged during 2014 and 2013. At December 31, 2014, the Company had federal and California net operating loss carry-forwards of approximately \$28,000 and \$549,000, respectively. The federal and state tax loss carry-forwards will begin to expire in 2027 and 2020 respectively, unless previously utilized.

The effective tax rate based on income taxes as a percentage of income before income taxes, varied from the federal statutory rate of 34% for the years ended December 31, 2014 and 2013 primarily as a result of state income taxes and the valuation allowance.

The Company is subject to U.S. federal or state income tax examinations by tax authorities for years after 2010. During the periods open to examination, the Company has net operating loss carry-forwards for U.S. federal and state tax purposes that have attributes from closed periods. Since these net operating losses may be utilized in future periods, they remain subject to examination.

MADISON AVENUE SECURITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2014 and 2013

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

Operating Lease

In January 2010, the Company entered into a sublease agreement with the Parent company to lease office space. The sublease commenced on April 1, 2010 and was set to expire July 31, 2013. The lease was renegotiated resulting in reduced rent obligations beginning in January 2013. The new lease term is effective for one year with three subsequent one year renewal options. Rent expense totaled \$94,440 and \$91,473 for the years ended December 31, 2014 and 2013, respectively. The Company exercised its one year renewal option for 2015 and the rental payment is expected to be \$105,772.

Legal and Regulatory Matters

The Company is occasionally involved in legal proceedings in the ordinary course of business, including arbitration claims and other claims. The Company's legal proceedings are generally initiated by its customers' clients and involve the purchase or sale of investment securities.

From 2010 through 2013, various complaints were filed against the Company in connection with a former registered representative's activities. The alleged activity was outside the scope of the Company's normal business. Of the various individuals who filed complaints against the Company, it was determined that only three were actual clients of the Company. Of these claims, two were settled in 2012 and the third was settled in 2014. In 2012, an additional claim was brought against the Company by the Illinois Department of Securities. The Company is vigorously defending itself in connection with these proceedings. Due to the preliminary status of the Illinois Department of Securities matter, at the time of filing the financial statements, Management is unable to make a determination as to the potential outcome of these claims.

For the years ended December 31, 2014 and 2013, the Company incurred approximately \$956,100 and \$1,412,000, respectively, in legal expenses and settlements.

**NOTE 10 – RELATED PARTY TRANSACTIONS**

In 2014 and 2013, the Company paid dividends to the Parent totaling \$0- and \$400,000, respectively. In the same two years, the Parent paid operating expenses under the expense sharing agreement on behalf of the Company in the amounts of \$2,416,334 and \$1,927,115, respectively. The Company made repayments of operating expenses to the Parent of approximately \$2,338,100 and \$1,990,000 for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, the intercompany balance to the Parent was a payable of \$3,038 and a receivable of \$75,233, respectively.

**SUPPLEMENTAL INFORMATION**

MADISON AVENUE SECURITIES, INC.  
Schedule I  
COMPUTATIONS OF NET CAPITAL AND AGGREGATE INDEBTEDNESS  
UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION  
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
COMPUTATION OF NET CAPITAL		
Total stockholder's equity	\$ 1,785,154	\$ 1,469,266
Deductions/charges:		
Non-allowable assets:		
Cash	480	431
Security positions	9,338	-
Commissions receivable	88,400	53,835
Registered representative receivables, net	81,529	61,394
Prepaid expenses	60,496	77,586
Related party receivables	-	75,233
Income taxes receivable	840	1,800
Property and equipment, net	91,058	1,980
Goodwill	64,000	64,000
Deferred tax assets	189,000	379,000
Total non-allowable assets	585,141	715,259
Net capital before haircuts on securities positions (tentative net capital)	1,200,013	754,007
Haircuts on securities	-	-
Net capital	<u>\$ 1,200,013</u>	<u>\$ 754,007</u>
AGGREGATE INDEBTEDNESS		
Items included in statement of financial condition:		
Accounts payable	\$ 65,224	\$ 154,586
Accrued liabilities	159,673	97,711
Commissions payable	828,227	535,408
Employment liabilities	174,070	260,376
Related party payable	3,038	-
Other liabilities	63,116	71,668
Total aggregate indebtedness	<u>\$ 1,293,348</u>	<u>\$ 1,119,749</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT		
Minimum net capital required (6-2/3% of aggregate indebtedness or \$50,000, whichever is greater)	<u>\$ 86,223</u>	<u>\$ 74,650</u>
Net capital in excess of amount required	<u>\$ 1,113,790</u>	<u>\$ 679,357</u>
Net capital less greater than 10% of aggregate indebtedness or 120% of \$50,000	<u>\$ 1,070,678</u>	<u>\$ 642,032</u>
Ratio: Aggregate indebtedness to net capital	<u>1.08 to 1</u>	<u>1.49 to 1</u>

MADISON AVENUE SECURITIES, INC.  
Schedule II  
RECONCILIATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE  
SECURITIES AND EXCHANGE COMMISSION  
For the Year Ended December 31, 2014

NET CAPITAL

Net capital, as reported in Company's Part II (unaudited)  
FOCUS Report

\$ 1,168,195

Adjustments:

Commission receivable

15,817

Prepaid expenses

16,800

Deferred tax assets

(59,000)

Commission payable

(15,817)

Accrued liabilities

16,000

Income tax expense

58,018

Net capital, as adjusted

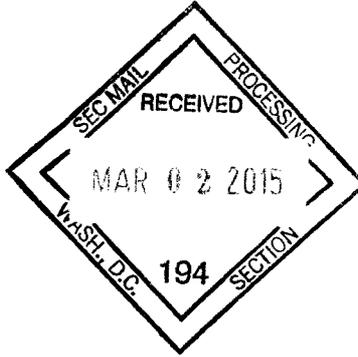
\$ 1,200,013

MADISON AVENUE SECURITIES, INC.  
SCHEDULE III  
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION  
December 31, 2014 and 2013

A computation of reserve requirement is not applicable to Madison Avenue Securities, Inc., as the Company qualifies for exemption under Rule 15c3-3(k)(2)(ii).

MADISON AVENUE SECURITIES, INC.  
SCHEDULE IV  
INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS  
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION  
December 31, 2014 and 2013

Information relating to possession or control requirements is not applicable to Madison Avenue Securities, Inc., as the Company qualifies for exemption under the Rule 15c3-3 (k)(2)(ii).



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MADISON AVENUE SECURITIES, INC.  
REPORT ON THE SIPC ANNUAL ASSESSMENT  
PURSUANT TO RULE 17a-5(e)(4)  
FOR THE YEAR ENDED DECEMBER 31, 2014

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**PKF**

INDEPENDENT ACCOUNTANT'S AGREED-UPON PROCEDURES REPORT  
ON SCHEDULE OF ASSESSMENT AND PAYMENTS (FORM SIPC-7)

To the Stockholder of  
Madison Avenue Securities, Inc.  
San Diego, California

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 Schedule of Assessment and Payments (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2014, which were agreed to by Madison Avenue Securities, Inc., the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you and the other specified parties in evaluating Madison Avenue Securities, Inc.'s compliance with the applicable instructions of Form SIPC-7. Madison Avenue Securities, Inc.'s management is responsible for Madison Avenue Securities, Inc.'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, 2014, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2014, noting no differences;
- 3) Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers by reviewing Madison Avenue Securities, Inc.'s accounting records and internal financial information, noting no differences; and
- 4) Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers by reviewing Madison Avenue Securities, Inc.'s accounting records and internal financial information, 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.

San Diego, California  
February 26, 2015

Telephone: (619) 238.1040 | Fax: (619) 237.5177

Email: [info@pkfsandiego.com](mailto:info@pkfsandiego.com) | Website: [www.pkfcalfornia.com](http://www.pkfcalfornia.com)

PKF | 2020 Camino del Rio North | Suite 500 | San Diego | California 92108 | US

**PKF**

PKF

Certified Public Accountants  
A Professional Corporation

**SIPC-7**

(33-REV 7/10)

SECURITIES INVESTOR PROTECTION CORPORATION  
P.O. Box 92185 Washington, D.C. 20090-2185  
202-371-8300

**General Assessment Reconciliation**

**SIPC-7**

(33-REV 7/10)

For the fiscal year ended 12/31/2014

(Read carefully the Instructions in your Working Copy before completing this Form)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

040426 FINRA DEC  
Madison Avenue Securities, Inc.  
15050 Avenue of Science, Suite 150  
San Diego, CA 92128-3441

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

Connie Knapp 858-207-1305

2. A. General Assessment (item 2e from page 2)	\$ <u>44,528</u>
B. Less payment made with SIPC-6 filed (exclude interest) <u>7/31/2014</u> Date Paid	( <u>20,555</u> )
C. Less prior overpayment applied	( <u>0</u> )
D. Assessment balance due or (overpayment)	<u>23,973</u>
E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum	<u>0</u>
F. Total assessment balance and interest due (or overpayment carried forward)	\$ <u>23,973</u>
G. PAID WITH THIS FORM: Check enclosed, payable to SIPC Total (must be same as F above)	\$ <u>23,973</u>
H. Overpayment carried forward	\$( <u>                    </u> )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

Madison Avenue Securities, Inc.

(Name of Corporation, Partnership or other organization)

Connie Knapp  
(Authorized Signature)

Dated the 28th day of January, 20 15

CFO

(Title)

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER** Dates:                                                                 
Postmarked                      Received                      Reviewed  
Calculations                      Documentation                      Forward Copy                       
Exceptions: \_\_\_\_\_  
Disposition of exceptions: \_\_\_\_\_

**DETERMINATION OF "SIPC NET OPERATING REVENUES"  
AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning 01/01/14  
and ending 12/31/14

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

Eliminate cents  
\$ 21,695,636

2b. Additions:

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

Total additions

0

2c. Deductions:

- (1) 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 products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C):

Mutual Fund Trls 931,209; Oil & Gas Pgms 19,068; Variable Annuity Trls 893,101

(Deductions in excess of \$100,000 require documentation)

1,776,723

0

153,293

91,854

16,081

1,843,378

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ 3,140

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ 0

Enter the greater of line (i) or (ii)

3,140

Total deductions

3,884,469

2d. SIPC Net Operating Revenues

\$ 17,811,167

2e. General Assessment @ .0025

\$ 44,528

(to page 1, line 2.A.)