

JG

SEC
Mail Processing
Section
JUN 28 2016
Washington DC
412



16021530

OMB APPROVAL
OMB Number: 3235-0123
Expires: May 31, 2017
Estimated average burden
hours per response..... 12.00

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

SEC FILE NUMBER
8-18173

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 05/01/2015 AND ENDING 04/30/2016
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Crown & Co., Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

800 Nicollet Mall, Suite 2520

(No. and Street)

Minneapolis
(City)

MN
(State)

55402
(Zip Code)

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

Katlae Martinson

612-339-8561

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Mayer Hoffman McCann P.C.

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

222 S. 9th Street, #1000 Minneapolis

(Address)

(City)

MN
(State)

55402
(Zip Code)

CHECK ONE:

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

2016
55402
RECEIVED
C/TM
7 PM 2:22

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)

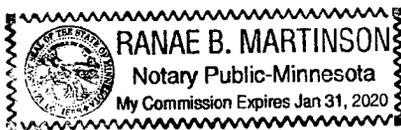
EP

OATH OR AFFIRMATION

I, James Hiniker III, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Cronin & Co., Inc, as of April 30, 2016, 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]
Signature
President
Title

[Signature]
Notary Public



This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity 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).

CRONIN & CO., INC.
FINANCIAL STATEMENTS
PURSUANT TO RULE 17a-5 OF THE
SECURITIES EXCHANGE ACT

Year Ended April 30, 2016

- ❖ These financial statements and schedules should be deemed confidential pursuant to subparagraph (e)(3) of Rule 17a-5.

CRONIN & CO., INC.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.....1

FINANCIAL STATEMENTS

Statement of Financial Condition.....2

Notes to Financial Statements.....3



Mayer Hoffman McCann P.C.

An Independent CPA Firm

222 South Ninth Street, Suite 1000 □ Minneapolis, Minnesota 55402
Main: 612.339.7811 □ Fax: 612.339.9845 □ www.mhmcpa.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Cronin & Co., Inc.
Minneapolis, Minnesota

We have audited the accompanying statement of financial condition of Cronin & Co., Inc. (Company) as of April 30, 2016. These financial statements are the responsibility of the Company's management. 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. The Company 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 the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 statement referred to above present fairly, in all material respects, the financial position of Cronin & Co., Inc. as of April 30, 2016 in conformity with accounting principles generally accepted in the United States.

Mayer Hoffman McCann P.C.

Minneapolis, Minnesota
June 22, 2016



KRESTON

Member of Kreston International – a global network of independent accounting firms

CRONIN & CO., INC.

STATEMENT OF FINANCIAL CONDITION

April 30, 2016

ASSETS

Cash and cash equivalents	\$	203,455
Interest receivable		23,109
Securities inventory, at fair value		13,070,277
Property and equipment, at cost, less accumulated depreciation		16,535
Other assets		123,957
Deferred taxes		4,000
TOTAL ASSETS	\$	<u>13,441,333</u>

LIABILITIES

Accrued expenses	\$	16,054
Payable to clearing organization		8,577,880
Accrued compensation and benefits		1,087,425
TOTAL LIABILITIES		<u>9,681,359</u>

STOCKHOLDERS' EQUITY

CAPITAL CONTRIBUTED		
Common stock, par value \$1, authorized 26,710 shares, issued and outstanding		7,127
Additional paid-in capital		<u>1,618,887</u>
TOTAL CAPITAL CONTRIBUTED		1,626,014
RETAINED EARNINGS		<u>2,133,960</u>
TOTAL STOCKHOLDERS' EQUITY		<u>3,759,974</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	<u>13,441,333</u>

See Accompanying Notes to the Financial Statements

CRONIN & CO., INC.

NOTES TO FINANCIAL STATEMENTS

(1) **Nature of business, financial instruments with off-balance sheet risk, and significant accounting policies**

Nature of business - Cronin & Co., Inc. (the Company) was incorporated in 1974. The Company is registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA) and the Municipal Securities Rulemaking Board (MSRB). The Company engages in the business of acting as a dealer in municipal bonds and other fixed-income securities. The Company does not carry securities accounts for customers or perform custodial functions relating to customer securities and, accordingly, is exempt from SEC Rule 15c3-3. All securities transactions are cleared through a clearing broker on a fully disclosed basis. The Company guarantees to its clearing firm the performance of every customer transaction it introduces to the clearing firm. The Company also acts as an underwriter, co-underwriter, and selling group participant of competitive and negotiated municipal bond offerings. Additionally, the Company is permitted to trade securities for its own account. The Company's corporate offices are located in Minneapolis, Minnesota, and it transacts trades of securities with customers throughout the United States. However, the customers are principally located in the upper Midwest.

Financial instruments with off-balance sheet risk:

Off-balance-sheet credit and market risk - In the normal course of business, the Company's customer activities involve the execution, settlement and financing of various customer securities and bond transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer is unable to fulfill its contracted obligations. The Company clears all transactions for its customers on a fully disclosed basis with a clearing broker or dealer (clearing firm), who carries all the customer accounts and maintains the related records. Nonetheless, the Company is liable to the clearing firm for the transactions of its customers.

Concentrations of credit risk - As an introducing broker and dealer, the Company is engaged in various securities trading and brokerage activities servicing a diverse group of corporations, governments, institutional and individual investors. The Company's exposure to credit risk associated with the nonperformance of these customers in fulfilling their contractual obligations pursuant to securities can be directly impacted by volatile trading markets which may impair the customer's ability to satisfy their obligations to the Company.

The Company maintains cash in bank deposit accounts, which at times, may exceed Federal Deposit Insurance Corporation limits. The Company periodically evaluates the risk of exceeding insured levels and may transfer funds as it deems appropriate. The Company has not experienced any losses with regards to balances in excess of insurance limits or as a result of other concentrations of credit risk.

CRONIN & CO., INC.

NOTES TO FINANCIAL STATEMENTS

Cash and cash equivalents - For purposes of reporting the statements of cash flows, the Company includes all cash accounts, which are not subject to withdrawal restrictions or penalties, as cash and cash equivalents on the accompanying statements of financial condition.

Receivables and credit policies - Accounts receivable for fees, reimbursable expenses, and other services are uncollateralized customer obligations due under normal trade terms requiring payment within 60 days from the invoice date. Past due accounts receivable with invoice dates over 60 days are not charged interest.

Commissions receivable on trades processed by the clearing firm are accrued on a trade date basis. The commissions receivable are paid to the Company as of the month end in which the commissions are earned.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances that exceed 90 days from invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. At April 30, 2016, management considers all amounts collectible.

Securities held – Securities inventory are valued using level 1 inputs based on unadjusted quoted market prices within active markets, level 2 inputs based primarily on quoted prices for similar assets or liabilities in active or inactive markets and level 3 inputs based on present value techniques using inputs derived principally or corroborated from market data. Values using level 3 inputs were primarily valued using management's assumption about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied. Changes in the fair values are recognized currently as unrealized gains or losses and included in revenue.

Revenue recognition:

Trading - Firm trading securities held for resale including securities owned, and any securities sold and not yet purchased, are valued at fair value and unrealized gains and losses are reflected in revenues.

Underwriting - Underwriting revenues and fees from advisory assignments are recorded when the underlying transaction is settled under the terms of the engagement.

Commission - Commission income and related expenses for security transactions are recognized on the trade date basis.

Interest income – Interest income related to fixed income securities owned is accrued as of April 30, 2016 and is included in interest receivable.

CRONIN & CO., INC.

NOTES TO FINANCIAL STATEMENTS

Property and equipment - Property and equipment are recorded at cost. Expenditures for renewals and betterments are capitalized. Repairs and maintenance are charged to expense. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts, and any gain or loss is reflected in the results of operations.

Depreciation and amortization - Depreciation and amortization of furniture and equipment is computed on the straight-line method over estimated useful lives of 3 to 5 years. Depreciation expense was approximately \$1,900 for the year ended April 30, 2016.

Income taxes - Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred taxes result principally from the difference in recognition of investment income and compensation for financial statement and tax reporting purposes and net operating loss carryforwards for tax reporting purposes.

The Company recognizes a liability for uncertain tax matters using a "more likely than not" threshold. Uncertain tax positions are identified and evaluated based on the likelihood that the position will be sustained after scrutiny by the applicable taxing authority.

When tax positions do not meet the "more likely than not" threshold a cumulative probability assessment is performed in the aggregate to determine the estimated tax liability for all uncertain tax positions. Interest and penalties assessed, if any, are accrued as income tax expense. The Company does not believe it has any tax positions at April 30, 2016 that would not meet the "more likely than not" threshold for uncertain tax positions.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recently issued pronouncements - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-9, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-9"). ASU 2014-9 requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. ASU 2014-9 is effective January 1, 2017, with early adoption prohibited. The Company is in the process of assessing the impact of the adoption of ASU 2014-9 on its financial statements but it is not expected to have a significant impact.

CRONIN & CO., INC.

NOTES TO FINANCIAL STATEMENTS

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Company.

Subsequent events policy - In accordance with the FASB's authoritative guidance for subsequent events, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued, the Company evaluated all events or transactions that occurred after the balance sheet date of April 30, 2016 through June 23, 2016, the date which the financial statements were available to be issued.

(2) Receivable/ payable to clearing organization

The Company clears its proprietary and customer transactions through a clearing broker on a fully disclosed basis. The amount payable to the clearing organization relates to the aforementioned transactions and is collateralized by securities owned by the Company.

(3) Securities inventory

The following is a summary of the fair value of major categories of securities owned and available for sale as of April 30, 2016.

Municipal bonds	<u>\$ 13,070,277</u>
-----------------	----------------------

CRONIN & CO., INC.

NOTES TO FINANCIAL STATEMENTS

(4) Fair value measurements

ASC Topic 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring assets and liabilities at fair value. Market price observability is affected by a number of factors, including the type of investment, the characteristics specific to the investment and the state of the marketplace including the existence and transparency of transactions between market participants. Assets and liabilities with readily available active quoted prices or for which fair value can be measured from actively quoted prices in an orderly market generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. ASC Topic 820 establishes a three-level valuation hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary by types of assets and liabilities and is affected by a wide variety of factors, including, for example, whether the investment is established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for assets and liabilities categorized in Level 3.

CRONIN & CO., INC.

NOTES TO FINANCIAL STATEMENTS

Fair values of assets and liabilities measured on a recurring basis at April 30, 2016 are as follows:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Municipal bonds	\$ 13,070,277	\$ -	\$ 13,070,277	\$ -
Total securities	\$ 13,070,277	\$ -	\$ 13,070,277	\$ -
inventory	\$ 13,070,277	\$ -	\$ 13,070,277	\$ -

Fair value is based on recent trade data and other relevant factors, including dealer price quotations and third-party pricing services, which take into consideration time value, liquidity, credit, and volatility factors underlying the securities. The Company has not changed its methodology in estimating fair value from prior periods. There were no transfers between Level 1, Level 2, and Level 3 during the years ended April 30, 2016.

(5) Property and equipment

The following is a summary of property and equipment:

	<u>April 30, 2016</u>
Furniture and equipment	\$ 162,271
Less accumulated depreciation	145,736
Total property and equipment	\$ 16,535

(6) Equity

During the year ended April 30, 2016, the Company issued eight shares of common stock to four of its stockholders for approximately \$3,000 in cash.

CRONIN & CO., INC.

NOTES TO FINANCIAL STATEMENTS

(7) Income taxes

The components of the provision for federal and state income taxes are as follows:

	Year Ended April 30, 2016
Current income taxes	
Federal income taxes	\$ -
State and local income taxes	5,000
Total current income tax expense	5,000
Deferred income taxes	
Federal income taxes	(52,000)
State and local income taxes	-
Valuation allowance	52,000
Total deferred income tax expense	-
Total income tax expense (benefit)	\$ 5,000

The Company earned \$215,600 of municipal bond interest during the year ended April 30, 2016, which is exempt from US taxation.

The components of deferred income taxes included on the balance sheet are as follows:

	April 30, 2016
Accrued compensation and benefits	\$ 15,000
Net operating loss carryforward	191,000
Property and equipment	1,000
Deferred tax asset valuation allowance	(203,000)
Total deferred income taxes	\$ 4,000

The Company has a federal net operating loss carryforward of \$545,000 as of April 30, 2016 which will begin to expire in 2032. The Company has provided a valuation allowance for its tax benefit that could result from the utilization of the loss carryforward because it does not currently believe that it will have sufficient federal taxable income to benefit from the deduction. The Company has no state net operating loss carryforward.

The Company files tax returns in the United States federal jurisdiction and in various state jurisdictions where it is required to do so. Uncertain tax positions include those related to tax years that remain subject to examination. The company's federal and state tax returns are generally open for examination for three years after the date of filing, including extensions.

CRONIN & CO., INC.

NOTES TO FINANCIAL STATEMENTS

(8) Commitments and contingencies

The Company conducts its operations in leased facilities. The non-cancelable lease agreement provides for monthly rental payments over the lease term in amounts ranging between \$7,600 and \$8,600, plus a proportionate share of the building's operating expenses. Rent expensed under this arrangement was \$190,000 for the year ended April 30, 2016. The lease expires on November 30, 2016.

On April 23, 2016, the company signed an amendment to the above lease extending the agreement from December 1, 2016 to January 31, 2020. Monthly rental payments over the extended lease term range from \$10,750 to \$11,200.

The Company is also obligated under various operating leases for office equipment. The leases have varying terms expiring through May 2019. Rents expensed under these arrangements were \$14,000 for the year ended April 30, 2016.

Future minimum lease payments which must be made under non-cancelable lease agreements are:

<u>Years Ending April 30,</u>	
2017	123,000
2018	134,000
2019	137,000
2020	101,000
Total minimum lease payments	<u>\$ 495,000</u>

(9) Customer transactions

The Company does not hold customer funds or securities. Accordingly, the Company is exempt from the requirement to maintain a "Special Reserve Account for the Exclusive Benefit of Customers" under provisions of SEC Rule 15c3-3 based on Paragraph K(2)(ii) of that rule.

(10) Net capital requirements

The Company is subject to the Securities and Exchange Commission's uniform net capital rule (Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15-to-1. The rule also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At April 30, 2016, the Company had net capital and net capital requirements of \$2,889,460 and \$250,000, respectively. The Company's net capital ratio was .38 to 1.

CRONIN & CO., INC.

NOTES TO FINANCIAL STATEMENTS

(11) Employee benefit plans

401(k) salaried savings and profit sharing plan - The Company's 401(k) salaried savings and profit sharing plan (the Plan) covers substantially all employees. The Plan allows participants to make contributions of up to 15% of their compensation not to exceed statutory limits as provided by the Internal Revenue Code. The Company matches 25% of each participant's contribution to the Plan.

The Company may also make additional 401(k) and profit sharing contributions at the discretion of the board of directors. The Company's 401(k) match and discretionary contribution totaled \$37,700 for the year ended April 30, 2016. In addition, as of April 30, 2016 the Company accrued profit sharing contributions of \$127,800.

Employee stock purchase program - The Company has an employee stock purchase program available to all employees who have been employed by the Company for at least two years, are employed by the Company for more than five months in any calendar year, and own less than 5% of the total combined voting power or value of all classes of stock. Under the program, employees could elect to withhold up to 15% of their after-tax annual compensation on an annual basis to purchase the Company's common stock. The purchase price of a share of common stock purchased by a participant is equal to 90% of the lesser of the book value on May 1 or the first day the participant becomes eligible if they are not eligible on May 1, or the book value on the purchase date, which is the last day of the quarter.

Participants in the program may discontinue payroll deductions at any time and have previously deducted funds returned to them. Also, upon termination of employment, the Company has the right to redeem all common stock held by the terminated employee at a price equal to the book value of the stock on the date of the participant's termination. The Company has reserved 18,000 shares for issuance under the Plan. During the year ended April 30, 2016 the Company issued eight shares at a price of \$469.60 per share.

(12) Cash flow disclosures

The following is a summary of supplemental cash flow information:

	<u>April 30, 2016</u>	
Cash paid:		.
Interest	\$ 43,700	:
Income taxes	\$ 10,000	: