



**1B APPROVAL**

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

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

SEC File Number  
8-49880

Washington DC

**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 10/01/15 and ending 09/30/16

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
Lieblong & Associates, Inc.

Official Use Only

\_\_\_\_\_  
Firm ID No.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do not use P.O. Box No.):  
10809 Executive Center Drive, Suite 117

(No. and Street)

Little Rock  
(City)

AR  
(State)

72221  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS  
REPORT: Mary Ellen Williams (501)219-2003

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
DeMarco Sciacotta Wilkens & Dunleavy, LLP

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

9645 Lincoln Way Lane, #214A

(No. and Street)

Frankfort  
(City)

Illinois  
(State)

60423  
(Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

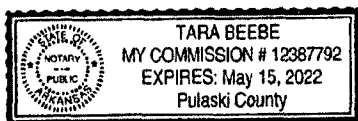
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\*Claims for exemption from the requirement that the annual report covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, **Mary Ellen Williams**, swear (or affirm) that, to the best of my knowledge and belief, the accompanying financial statement and supporting schedules pertaining to the firm of Lieblong & Associates, Inc., as of September 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:

None.



*Mary Ellen Williams*  
Signature

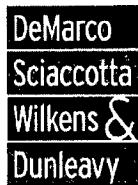
VP/CFO  
Title

*Tara Beebe*  
Notary Public

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c-3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c-3-3.
- (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 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) Exemption Report.

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



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors of  
Lieblong & Associates, Inc.

We have audited the accompanying statement of financial condition of Lieblong & Associates, Inc. (an Arkansas corporation) (the Company) as of September 30, 2016, that is filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the statement of financial condition. The Company's management is responsible for this financial statement. Our responsibility is to express an opinion on this financial statement 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 statement of financial condition is 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of financial condition. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Lieblong & Associates, Inc. as of September 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

*DeMarco Sciacotta Wilkens & Dunleavy LLP*

Frankfort, Illinois  
November 18, 2016

**LIEBLONG & ASSOCIATES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**SEPTEMBER 30, 2016**

**ASSETS**

|                             |                   |
|-----------------------------|-------------------|
| Cash                        | \$ 10,022         |
| Cash - restricted           | 333,774           |
| Commissions receivable      | 89,610            |
| Prepaid income taxes        | 3,869             |
| Prepaid expenses            | 5,170             |
| Property and equipment, net | <u>426,564</u>    |
| Total assets                | <u>\$ 869,009</u> |

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Liabilities:**

|                               |               |
|-------------------------------|---------------|
| Accounts payable - trade      | \$ 4,755      |
| Commissions and wages payable | 43,043        |
| Deferred tax liability, net   | <u>817</u>    |
| Total liabilities             | <u>48,615</u> |

**Stockholder's equity:**

|   |                   |
|---|-------------------|
| Common stock, \$1 par value,<br>1,000 shares authorized,<br>100 shares issued and outstanding | 100               |
| Additional paid in capital  | 672,101           |
| Retained earnings   | <u>148,193</u>    |
| Total stockholder's equity  | <u>820,394</u>    |
| Total liabilities and stockholder's equity  | <u>\$ 869,009</u> |

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

# LIEBLONG & ASSOCIATES, INC.

## NOTES TO STATEMENT OF FINANCIAL CONDITION

YEAR ENDED SEPTEMBER 30, 2016

### Note 1: Summary of significant accounting policies

#### Nature of operations

Lieblong & Associates, Inc. (the "Company"), is an introducing broker-dealer located in Arkansas, registered with the Securities and Exchange Commission (SEC), and a member of the Financial Industry Regulatory Authority (FINRA). The Company's principal sources of revenues are from commissions and investment banking activities.

#### Revenue recognition

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

#### Concentrations of credit risk – cash

The Company maintains its cash balances at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation or by the Securities Investor Protection Corporation. At September 30, 2016, the Company had no uninsured cash balances.

Pursuant to a clearing agreement, the Company introduces all of its securities transactions to its clearing broker on a fully disclosed basis. Therefore, all of the customers' money balances and security positions are carried on the books of the clearing broker. Under certain conditions, as defined in the clearing agreement, the Company has agreed to indemnify the clearing broker for losses, if any, which the clearing broker may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the securities transactions introduced by the Company. The total cash restricted for use of collateral on September 30, 2016 is \$333,774.

#### Concentrations of credit risk – commissions

Approximately 31% of commissions were from one customer (see Note 4).

#### Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements along with the revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Depreciation and amortization

Property and equipment is carried at cost less accumulated depreciation and amortization and consists of the following:

|   | <u>Estimated<br/>useful life</u> |                   |
|---|----------------------------------|-------------------|
| Vehicles                                  | 5 years                          | \$ 260,423        |
| Furniture and equipment                   | 5 – 7 years                      | 150,672           |
| Leasehold improvements                    | 5 years                          | <u>219,509</u>    |
|   |                                  | 630,604           |
| Accumulated depreciation and amortization |                                  | <u>(204,040)</u>  |
| Net property and equipment                |                                  | <u>\$ 426,564</u> |

Depreciation and amortization expense is determined by the straight-line method.

**LIEBLONG & ASSOCIATES, INC.**  
**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**YEAR ENDED SEPTEMBER 30, 2016**

**Note 1: Summary of significant accounting policies (continued)**

**Income taxes**

Income taxes are accounted for by using an asset and liability approach. Deferred income tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial and income tax basis of assets and liabilities. Such assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. 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 deferred tax assets will not be realized.

The Company will recognize accrued interest and penalties, if any, associated with any uncertain tax positions as part of operating expense. The past three years' federal and state income tax returns are subject to potential examination by taxing authorities.

**Note 2: Net capital requirements**

As a member of the FINRA, the Company is subject to the SEC uniform net capital rule 15c3-1. Rule 15c3-1 requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1 (1500%), and that a minimum of \$100,000 of net capital be maintained. At September 30, 2016, the Company's regulatory net capital was \$378,116 and aggregate indebtedness was 12.86% of net capital.

**Note 3: Exception for Rule 15c3-3**

The Company is exempt from the SEC Rule 15c3-3 under Section (k)(2)(ii) and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers."

**Note 4: Related party transactions**

Included in commissions revenue are commissions received from Key Colony Fund, L.P. of \$497,723. The fund is related to the Company through common ownership.

Included in travel, meals and entertainment are reimbursements to Lieblong Transport, Inc. totaling \$41,391. Lieblong Transport, Inc. is related to the Company through common ownership.

**Note 5: Income taxes**

Net income tax benefit is comprised of the following:

|                              |  |                          |
|------------------------------|--|--------------------------|
| Current expense:             |  |                          |
| Federal                      |  | \$ 6,834                 |
| State                        |  | <u>677</u>               |
|                              |  | 7,511                    |
| Deferred income tax benefit: |  |                          |
| Federal                      |  | (10,370)                 |
| State                        |  | <u>(1,999)</u>           |
|                              |  | (12,369)                 |
| Income tax benefit, net      |  | <u><u>\$ (4,858)</u></u> |

# LIEBLONG & ASSOCIATES, INC.

## NOTES TO STATEMENT OF FINANCIAL CONDITION

YEAR ENDED SEPTEMBER 30, 2016

### Note 5: Income taxes (continued)

The effective income tax rate is different from the expected statutory federal rate primarily because of the graduated tax rates and nondeductible expenses.

Net deferred tax liability consists of the following:

|                               |                 |
|-------------------------------|-----------------|
| Deferred tax assets:          |                 |
| Reserves and accruals         | \$ 486          |
| Deferred tax liability:       |                 |
| Depreciation and amortization | (1,303)         |
| Net deferred tax liability    | <u>\$ (817)</u> |

### Note 6: Operating leases

The Company has entered into lease agreements for office space and equipment. Rent expense for office space was \$60,440 and for office equipment was \$10,995. The office lease expires in May 2020 and the equipment lease expires in July 2021.

In addition the Company leases an aircraft under an operating lease with Key Colony Management, LLC, a company related through common ownership. The lease expires on December 31, 2017 and calls for monthly minimum payments of \$7,500 which covers the first 30 hours of use. Thereafter the rent is \$3,000 per hour. Aircraft rent expense was \$90,000 and is included in travel, meals and entertainment.

Future minimum lease payments under all operating leases are as follows:

| <u>Year ended</u><br><u>September 30:</u> |                   |
|---|-------------------|
| 2017                                      | \$ 157,412        |
| 2018                                      | 91,382            |
| 2019                                      | 70,388            |
| 2020                                      | 49,586            |
| 2021                                      | 4,455             |
|   | <u>\$ 373,223</u> |

### Note 7: Employee benefit plan

The Company has a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) which covers substantially all employees. The employer must match the employees' contributions up to 3% of each employee's compensation. The Company contributed \$3,618 to the SIMPLE Plan.

**LIEBLONG & ASSOCIATES, INC.**  
**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**YEAR ENDED SEPTEMBER 30, 2016**

**Note 8: Focus reconciliation**

Reconciliation with the Company's computation (included in part II of Form X-17A-5 as of September 30, 2016):

|   |                   |
|---|-------------------|
| Net capital, as reported in Company's Part II<br>(unaudited) FOCUS report | \$ 373,917        |
| Adjustment to record additional income tax benefit                        | 4,858             |
| Other adjustments   | <u>(659)</u>      |
| Net capital per the amended FOCUS report filed November 16, 2016          | <u>\$ 378,116</u> |