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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

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FACING PAGE Washington DC  
**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 1/1/2016 AND ENDING 12/31/2016  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Inland Securities Corporation

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

2901 Butterfield Road

(No. and Street)

Oak Brook

IL

60523

(City)

(State)

(Zip Code)

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

Catherine L. Lynch

(630) 218-8000

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

KPMG LLP

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

200 E. Randolph Drive

Chicago

IL

60601

(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)

SEC 1410 (06-02)

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CM

OATH OR AFFIRMATION

I, Catherine L. Lynch, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Inland Securities Corporation, as of December 31, 2016, 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:



Mary J. Pechous
Notary Public

[Handwritten Signature]
Signature
Chief Financial Officer
Title

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

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

**INLAND SECURITIES CORPORATION**  
(Wholly Owned by Inland Real Estate Investment Corp.)

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KPMG LLP  
Aon Center  
Suite 5500  
200 E. Randolph Street  
Chicago, IL 60601-6436

## Report of Independent Registered Public Accounting Firm

The Board of Directors  
Inland Securities Corporation:

We have audited the accompanying statement of financial condition of Inland Securities Corporation as of December 31, 2016, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended. 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. 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 statements referred to above present fairly, in all material respects, the financial position of Inland Securities Corporation as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The supplemental information contained in Schedules I, II, and III has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company'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 17 C.F.R. § 240.17a-5. In our opinion, the supplemental information contained in Schedules I, II, and III is fairly stated, in all material respects, in relation to the financial statements as a whole.

**KPMG LLP**

Chicago, Illinois  
February 23, 2017

**INLAND SECURITIES CORPORATION**  
(Wholly Owned by Inland Real Estate Investment Corp.)

Statement of Financial Condition

December 31, 2016

**Assets**

Cash and cash equivalents	\$ 1,643,037
Commissions receivable	319,597
Accounts receivable	58,918
Current income tax receivable	324,712
Fixed assets (net)	<u>71,409</u>
Total assets	<u>\$ 2,417,673</u>

**Liabilities and Stockholder's Equity**

Liabilities:	
Commissions payable	\$ 553,483
Accounts payable and accrued expenses	680,849
Total liabilities	<u>1,234,332</u>
Stockholder's equity (note 2):	
Common stock, \$0.01 par value. Authorized 10,000 shares; issued and outstanding 1,000 shares	10
Additional paid-in capital	29,402,253
Retained deficit	(28,218,922)
Total stockholder's equity	<u>1,183,341</u>
Total liabilities and stockholder's equity	<u>\$ 2,417,673</u>

See accompanying notes to financial statements.

**INLAND SECURITIES CORPORATION**  
(Wholly Owned by Inland Real Estate Investment Corp.)

Statement of Operations

Year ended December 31, 2016

Revenues:		
Commissions (note 3)	\$	39,456,565
Interest and other income		22,954
Total revenues		<u>39,479,519</u>
Expenses:		
Commissions		33,215,602
Employee compensation and benefits		9,433,161
Other operating expenses		5,711,814
Total expenses		<u>48,360,577</u>
Loss before income tax benefit		(8,881,058)
Income tax benefit		<u>3,468,602</u>
Net loss	\$	<u><u>(5,412,456)</u></u>

See accompanying notes to financial statements.

**INLAND SECURITIES CORPORATION**  
(Wholly Owned by Inland Real Estate Investment Corp.)

Statement of Stockholder's Equity

Year ended December 31, 2016

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained deficit</u>	<u>Total stockholder's equity</u>
Balance at December 31, 2015	\$ 10	25,452,253	(22,806,466)	2,645,797
Capital contributions	—	3,950,000	—	3,950,000
Net loss	—	—	(5,412,456)	(5,412,456)
Balance at December 31, 2016	\$ <u>10</u>	<u>29,402,253</u>	<u>(28,218,922)</u>	<u>1,183,341</u>

See accompanying notes to financial statements.

**INLAND SECURITIES CORPORATION**  
(Wholly Owned by Inland Real Estate Investment Corp.)

Statement of Cash Flows

Year ended December 31, 2016

Cash flows from operating activities:	
Net loss	\$ (5,412,456)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	22,738
Changes in assets and liabilities:	
Current income tax receivable	(218,602)
Commissions receivable	(116,425)
Accounts receivable	(58,918)
Commissions payable	(639,106)
Accounts payable and accrued expenses	143,268
Net cash used in operating activities	<u>(6,279,501)</u>
Cash flows from investing activity:	
Purchase of fixed assets	<u>(32,973)</u>
Net cash used in investing activity	<u>(32,973)</u>
Cash flows from financing activity:	
Capital contributions	<u>3,950,000</u>
Net cash provided by financing activity	<u>3,950,000</u>
Net decrease in cash and cash equivalents	(2,362,474)
Cash and cash equivalents at beginning of year	<u>4,005,511</u>
Cash and cash equivalents at end of year	<u>\$ 1,643,037</u>
Supplemental disclosure:	
Amounts received pursuant to the Company's tax sharing agreement	\$ 3,250,000

See accompanying notes to financial statements.

**INLAND SECURITIES CORPORATION**  
(Wholly Owned by Inland Real Estate Investment Corp.)

Notes to Financial Statements

December 31, 2016

**(1) General Information and Summary of Significant Accounting Policies**

Inland Securities Corporation (the Company) is registered as a broker and dealer in securities under the Securities Exchange Act of 1934. Inland Real Estate Investment Corp. (IREIC), as the sole stockholder, is committed to funding cash flow needs of the Company in the normal course of business. The Inland Group, Inc. (Inland) is the ultimate parent.

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could subsequently differ from such estimates.

A description of significant accounting policies is as follows:

**(a) Commissions**

In connection with the marketing of investment programs, commissions are based upon a percentage of a third-party investment in the related interest. For financial reporting and income tax purposes, these commissions are earned and the related expense is incurred at the time the third-party investment is accepted by the offering party. Commissions from the sale of private placement interests totaled \$37,648,801, which includes selling commissions, dealer fees for coordinating the marketing of the interests, placement agent fees, and reimbursement of organization and offering expenses, all of which are earned at the time of the sale of the interest and are a percentage of the gross cash proceeds of the sale of the interests. Commission from the sale of share of public offerings totaled \$1,807,764, which includes selling commissions, dealer manager fees, and distribution and stockholder servicing fees, all of which are earned at the time of the sale of the interests and are a percentage of the gross cash proceeds of the sale of the interests.

**(b) Cash and Cash Equivalents**

For purposes of reporting cash flows, the Company considers all investments with an original maturity of three months or less to be a cash equivalent.

**(c) Income Taxes**

The Company is included in the consolidated federal and combined unitary state income tax returns of Inland.

Deferred tax assets and liabilities, if any, are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax

**INLAND SECURITIES CORPORATION**  
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Notes to Financial Statements

December 31, 2016

assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date.

**(2) Net Capital Requirements**

Pursuant to the Securities and Exchange Commission Uniform Net Capital Rule, the Company is required to maintain minimum net capital and maintain an allowable ratio of aggregate indebtedness to net capital as defined under this rule. At December 31, 2016, the Company had net capital and minimum net capital requirements of \$422,028 and \$82,289, respectively. At December 31, 2016, the Company's ratio of aggregate indebtedness to net capital was approximately 2.92 to 1.

**(3) Related-Party Transactions**

Commission income of \$39,456,565 was derived from the sale of interests in investment programs in which IREIC's wholly owned subsidiaries are the advisor or asset manager. As of December 31, 2016, accounts receivable related to this income amounted to \$319,597.

The Company is charged direct costs for specific legal, payroll processing, information technology services, marketing, and certain other administrative services performed by administrative departments of Inland. Such amounts totaled \$1,749,064 for the year ended December 31, 2016 and are included in other operating expenses. As of December 31, 2016, accounts payable related to these direct costs amounted to \$43,004. In addition, the Company paid rent to IREIC of approximately \$43,876 for the year ended December 31, 2016. In the opinion of management, the aforementioned administrative costs and rent are believed to be reasonable; however, it is not necessarily indicative of the expense the Company may have incurred on its own account.

**(4) Income Taxes**

The Company is party to a tax-sharing agreement between Inland and IREIC, which provides that income tax expense or benefit be reflected on a separate company basis. The Company recorded a \$3,468,602 income tax benefit for the year ended December 31, 2016. At the beginning of the year, the Company had an income tax receivable from IREIC of \$106,110 relating to the unreimbursed income tax benefits for the year ending December 31, 2015. The Company received a \$3,250,000 payment from IREIC representing payment by IREIC of the aforementioned \$106,110 and available current tax benefit of \$3,143,890. The remaining income tax benefits provided by the Company that were not paid in the amount of \$324,712 were recorded as a current income tax receivable as of December 31, 2016. The income tax benefit for the year ended December 31, 2016 was computed by applying an estimated combined tax rate of 40.04% to pretax income. Income tax expense (benefit) from operations for the year ended December 31, 2016 differs from "expected" tax expense (benefit) (computed by applying the U.S. federal income tax rate of 35% for the year ended December 31, 2016, to pretax income) principally due to the effect of state and local income taxes (net of federal benefit).

**(5) Subsequent Events**

Subsequent events were evaluated through February 23, 2017, the date on which the financial statements were issued.

**INLAND SECURITIES CORPORATION**  
(Wholly Owned by Inland Real Estate Investment Corp.)

Computation of Net Capital under Rule 15c3-1  
of the Securities and Exchange Commission

December 31, 2016

Stockholder's equity		\$ 1,183,341
Deductions:		
Nonallowable assets:		
Commissions receivable		306,274
Current income tax asset		324,712
Other assets		130,327
Total deductions		761,313
Net capital		422,028
Minimum net capital required to be maintained (greater of \$5,000 or 6-2/3% of aggregate indebtedness)		82,289
Excess net capital		\$ 339,739
Aggregate indebtedness – total liabilities		\$ 1,234,332
Ratio of aggregate indebtedness to net capital		2.92

A reconciliation is not necessary pursuant to Rule 17a-5(d)(4) as no material differences exist between the computations made by the independent auditor based on the audited financial statements and the broker-dealer's unaudited Form X-17A-5 IIA filing.

See accompanying report of independent registered public accounting firm.

**INLAND SECURITIES CORPORATION**  
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Computation for Determination of Customer Reserve Requirements and  
PAB Accounts Reserve Requirements under Rule 15c3-3 of the Securities and Exchange Commission

December 31, 2016

The Company claims exemption for the provision of Rule 15c3-3 of the Securities Exchange Act of 1934 pursuant to Section (k)(2)(i) of the Rule.

See accompanying report of independent registered public accounting firm.

**INLAND SECURITIES CORPORATION**  
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Information Related to Possession or Control Requirements under  
Rule 15c3-3 of the Securities and Exchange Commission

December 31, 2016

The Company claims exemption for the provision of Rule 15c3-3 of the Securities Exchange Act of 1934 pursuant to Section (k)(2)(i) of the Rule.

See accompanying report of independent registered public accounting firm.





This report is intended solely for the information and use of the specified parties referred to in the first paragraph of this report, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Chicago, Illinois  
February 23, 2017