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OMB APPROVAL	
OMB Number:	3235-0123
Expires:	May 31, 2017
Estimated average burden hours per response:	12.00
Section	
MAR 0 8 53374	
SEC FILE NUMBER	

17008853

**ANNUAL REPORT**

**FORM X-17A-5**

**PART III**

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 January 1, 2016 AND ENDING December 31, 2016

MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Beard Financial Services, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
108 W. Western Reserve Road

OFFICIAL USE ONLY
FIRM I.D. NO.

Youngstown (No. and Street) OH 44514

(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
David Kuhr (216) 839-5108

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Hobe & Lucas Certified Public Accountants, Inc.

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

4807 Rockside Road, Suite 510 Independence OH 44131

(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

<b>FOR OFFICIAL USE ONLY</b>

\*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)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, David W. Kuhr, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Beard Financial Services, Inc. of December 31, 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:

David W. Kuhr
Signature

Principal Title

Susan Stanley
Notary Public

SUSAN STANLEY,
Notary Public - State of Ohio
My Commission Expires December 01, 2018

- 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. Exemptive Report
(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).

Beard Financial Services, Inc  
Financial Statements  
December 31, 2016

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# Hobe & Lucas

Certified Public Accountants, Inc.

4807 Rockside Road, Suite 510 (P) 216.524.8900  
Independence, Ohio 44131 (F) 216.524.8777  
www.hobe.com

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of  
Beard Financial Services, Inc.  
Youngstown, Ohio

We have audited the accompanying statement of financial condition of Beard Financial Services, Inc. (a Delaware corporation), as of December 31, 2016, and the related statements of operations and changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of Beard Financial Services, Inc.'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 Beard Financial Services, Inc. as of December 31, 2016, 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 Supplemental Schedules of Operating Expenses, Computation of Net Capital, and Computation for Determination of Reserve Requirements and Information Relating to Possession or Control Requirements Pursuant to Rule 15c3-3 of the Securities and Exchange Commission have been subjected to audit procedures performed in conjunction with the audit of Beard Financial Services, Inc.'s financial statements. The supplemental information is the responsibility of Beard Financial Services, Inc.'s management. Our audit procedures include 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 presenting in conformity with 17 C.F.R. §240.17a-5. In our opinion, the Supplemental Schedules of Operating Expenses, Computation of Net Capital, and Computation for Determination of Reserve Requirements and Information Relating to Possession or Control Requirements Pursuant to Rule 15c3-3 of the Securities and Exchange Commission are fairly stated, in all material respects, in relation to the financial statements as a whole.

*Hobe & Lucas*  
*Certified Public Accountants*

Independence, Ohio  
February 23, 2017

# Beard Financial Services, Inc.

## Statement of Financial Condition December 31, 2016

### ASSETS

Assets:	
Cash and cash equivalents	\$ 245,496
Accounts Receivable	43,261
Deposits	307
Prepaid expenses	24,323
Goodwill	<u>27,500</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 340,887</u></b>

### LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:	
Commissions payable	\$ 27,109
Other	<u>13,745</u>
<b>Total Liabilities</b>	<b>40,854</b>
Stockholders' Equity:	
Common stock, 850 shares authorized	
10 shares issued and outstanding, no par value	100,000
Additional paid-in capital	375,000
Retained deficit	<u>(174,967)</u>
<b>Total Stockholders' Equity</b>	<b><u>300,033</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$ 340,887</u></b>

The accompanying notes are an integral part of these statements.

# Beard Financial Services, Inc.

## Statement of Operations Year Ended December 31, 2016

Revenues - commissions and fees	\$ 2,488,250
Less:	
Commissions expense	<u>1,478,541</u>
Net revenues	1,009,709
Operating expenses	<u>958,058</u>
Net income	<u>\$ 51,651</u>

The accompanying notes are an integral part of these statements.

# Beard Financial Services, Inc.

## Statement of Changes in Stockholders' Equity Year Ended December 31, 2016

	Capital Stock	Additional Paid-In Capital	Retained Earnings/ (Deficit)	Total
Balance - beginning	\$ 100,000	\$ 375,000	\$ 213,382	\$ 688,382
Current year net income		-	51,651	51,651
Distributions paid	-	-	(440,000)	(440,000)
Balance - end of year	<u>\$ 100,000</u>	<u>\$ 375,000</u>	<u>\$ (174,967)</u>	<u>\$ 300,033</u>

The accompanying notes are an integral part of these statements.

# Beard Financial Services, Inc.

## Statement of Cash Flows Year Ended December 31, 2016

Cash flows from operating activities:	
Net income	\$ 51,651
Adjustments to reconcile net income to cash provided by operating activities:	
Impairment of goodwill	343,231
(Increase) decrease in assets:	
Accounts receivable - trade	(10,035)
Deposits	1,499
Prepaid expenses	1,250
Increase (decrease) in liabilities:	
Commissions payable	6,603
Accounts payable	<u>(2,535)</u>
Net cash provided by operating activities	<u>391,664</u>
Cash flows from financing activities:	
Distributions paid	<u>(440,000)</u>
Net cash used by financing activities	<u>(440,000)</u>
Net increase in cash and cash equivalents	(48,336)
Cash and cash equivalents at beginning of year	<u>293,832</u>
Cash and cash equivalents at end of year	<u>\$ 245,496</u>

The accompanying notes are an integral part of these statements.

Beard Financial Services, Inc.  
Notes to Financial Statements  
December 31, 2016

**NOTE A – ORGANIZATION**

Beard Financial Services, Inc. (The Company) is incorporated under the laws of the State of Ohio. The Company is a fully-disclosed securities broker-dealer registered with the SEC and is a member of the Financial Industry Regulatory Authority (FINRA). The Company's principal office is located in Boardman, Ohio and is also registered in various states.

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

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Cash and Cash Equivalents

At times during the year, the Company's cash accounts exceeded the related amount of Federal depository insurance. The Company has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk. The Company considers a certificate of deposit that has no early withdrawal penalty to be a cash equivalent.

Securities Transactions

Customers' securities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis. Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

Income Taxes

The Company, with the consent of its stockholders, has elected under the Internal Revenue Code to be an S Corporation. In lieu of corporation income taxes, the shareholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal and state income taxes has been included in the financial statements. As of December 31, 2016, the Company's federal income tax returns are subject to examination for years 2013 and after.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Goodwill

Goodwill is reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that the entity's carrying value is greater than its fair value. At December 31, 2016, the company determined that the fair value of the goodwill was less than its carrying value. Accordingly, an impairment of \$343,231 was recorded at December 31, 2016. See Note H.

Beard Financial Services, Inc.  
Notes to Financial Statements  
December 31, 2016

**NOTE C – RELATED PARTY TRANSACTIONS**

Personnel services and office space are provided by Beard Pension Services, Inc. Both companies share common ownership. During 2016, the Company paid \$464,427 to Beard Pension Services, Inc. as reimbursement for its portion of those expenses, based upon an expense sharing agreement between the both companies. This expense has been recorded within the Schedule of Operating Expenses. At December 31, 2016, \$13,745 was owed to Beard Pension Services, Inc. and included in Other Liabilities.

**NOTE D – ACCOUNTS RECEIVABLE – TRADE**

Accounts receivable are listed at net realizable value and are considered by management to be fully collectible. Accordingly, no allowance for doubtful accounts is considered necessary.

**NOTE E – NET CAPITAL PROVISION OF RULE 15C3-1**

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities and Exchange Commission (SEC), the Company is required to maintain a minimum net capital balance, as defined, under such provisions.

The Company's minimum capital requirement is the greater of \$50,000 or 6 2/3% of aggregate indebtedness, as defined, under Securities and Exchange Commission Rule 15c3-1(a)(1), as it does not maintain customer accounts. Net capital may fluctuate on a daily basis. At December 31, 2016, the Company had net capital of \$237,133, which was \$187,133 in excess of its required net capital of \$50,000.

In addition to the minimum net capital provisions, Rule 15c3-1 requires that the Company maintain a ratio of aggregate indebtedness to net capital, both as defined, not to exceed 15 to 1. Net capital and aggregate indebtedness change from day to day, but at December 31, 2016, the Company's ratio of aggregate indebtedness to net capital was 17.23%.

**NOTE F – EXEMPTION FROM RULE 15C3-3**

The Company acts as an introducing broker dealer, promptly transmitting all funds and delivering all securities received in connection with its activities as a broker or dealer and does not otherwise hold funds or securities for or owe money or securities to customers. The Company operates under Section (k)(2)(ii) of Rule 15c3-3 of the Securities Exchange Act of 1934 and is therefore exempt from the requirements of Rule 15c3-3.

**NOTE G – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK**

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company must purchase or sell the financial instrument underlying the contract at a loss. As of December 31, 2016, management is not aware of any material transactions that could cause a potential obligation.

Beard Financial Services, Inc.  
Notes to Financial Statements  
December 31, 2016

**NOTE H – MANAGEMENT REVIEW OF SUBSEQUENT EVENTS**

Management of the Company has reviewed and evaluated subsequent events through February 23, 2017 for possible inclusion in the financial statements for the year ended December 31, 2016.

During 2016, the Company entered into an agreement to transfer all of its customer accounts to another broker dealer, effectively ending the need to continue its broker dealer status. On January 13, 2017, the Company filed a Continuing Membership Application (CMA) disclosing to FINRA the transfer of its customer accounts. On February 1, 2017, the transfer of these customer accounts occurred.

In addition, subsequent to December 31, 2016, the Company was contacted regarding the sale of its broker dealer shell. Although no contract has been entered into by the Company to sell its broker dealer, there have been negotiations regarding a sale price.

Based upon these negotiations, the Company felt that it should reduce the carrying value of its Goodwill asset, by recording an impairment of \$343,231 at December 31, 2016.

# Beard Financial Services, Inc.

## Schedule of Operating Expenses Year Ended December 31, 2016

Loss on impairment of goodwill	\$ 343,231
Employee compensation and benefits	268,897
Other operating costs	173,285
Professional consulting fees	63,049
Firm clearing and brokerage	33,301
Occupancy costs	22,245
Errors and omissions insurance	26,725
FINRA expenses	11,276
Miscellaneous expense	11,189
Professional subscriptions	2,860
Software	<u>2,000</u>
 TOTAL OPERATING EXPENSES	 \$ <u>958,057</u>

The accompanying notes are an integral part of these statements.

# Beard Financial Services, Inc.

## Computation of Net Capital December 31, 2016

### NET CAPITAL COMPUTATION

Total stockholders' equity from December 31, 2016 financial statements	\$ 300,033
Less: Nonallowable assets	
Commissions receivable less unsecured 12b(1) fees	10,770
Goodwill	27,500
Prepaid expenses	24,323
CRD account deposit	307
	<u>62,900</u>
NET CAPITAL	<u>\$ 237,133</u>
COMPUTATION OF AGGREGATE INDEBTEDNESS	<u>\$ 40,854</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT - 6 2/3% OF AGGREGATE INDEBTEDNESS	<u>\$ 2,725</u>
MINIMUM REQUIRED NET CAPITAL	<u>\$ 50,000</u>
EXCESS NET CAPITAL	<u>\$ 187,133</u>
RATIO: AGGREGATE INDEBTEDNESS TO NET CAPITAL	<u>17.23%</u>

A reconciliation of the computations of net capital under Rule 15c3-1 as included in the Company's unaudited Forms X-17a-5 as of December 31, 2016 filed with the Securities and Exchange Commission and the amounts included in the above computations is not required as there no audit adjustments.

The accompanying notes are an integral part of these statements.

**SUPPLEMENTAL SCHEDULES OF COMPUTATION FOR DETERMINATION  
OF RESERVE REQUIREMENTS AND INFORMATION RELATING TO THE  
POSSESSION OR CONTROL REQUIREMENTS PURSUANT TO RULE 15c3-3  
OF THE SECURITIES AND EXCHANGE COMMISSION  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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The Company is not required to present the schedules "Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3" and "Information Relating to the Possession of Control Requirements Under Rule 15c3-3" as it meets the exemptive provisions of Rule 15c3-3, under Section (k)(2)(ii) of the Rule.