



18000637

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

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: May 31, 2018  
Estimated average burden  
hours per response . . . 12.00

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

SEC FILE NUMBER  
8-28985

**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 01/01/2017 AND ENDING 12/31/2017  
MM/DDYY MM/DDYY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

American Republic Equities Corporation

OFFICIAL USE ONLY

FIRM ID. NO.

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

601 Sixth Avenue

(No. and Street)

Des Moines, Iowa 50334

(City)

(State)

(Zip Code)

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

Sheila A. Tweeton

(515) 245-2164

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Ernst & Young LLP

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

801 Grand Avenue, Suite 3000, Des Moines, Iowa 50309

(Address)

(City)

(State)

SECURITIES AND EXCHANGE COMMISSION

MAY 25 2018

DIVISION OF TRADING & MARKETS

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 (6-02)

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.

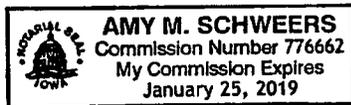
09 c  
5/30/18

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**American Republic Equities Corporation  
Years Ended December 31, 2017 and 2016  
With Report of Independent Registered  
Public Accounting Firm**

## Oath or Affirmation

I, Sheila A. Tweeton, affirm that to the best of my knowledge and belief, the accompanying financial statements and supplementary information pertaining to the firm of American Republic Equities Corporation, as of December 31, 2017, are true and correct. I further affirm that neither the Company nor any principal officer or director has any proprietary interest in any account classified solely as that of a customer.



Sheila A. Tweeton  
President

Amy M. Schweers  
Notary Public

This report \*\* contains:

- (X) (a) Facing page
- (X) (b) Statements of Financial Condition
- (X) (c) Statements of Operations
- (X) (d) Statements of Cash Flows
- (X) (e) Statements of Changes in Stockholder's Equity
- ( ) (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors
- (X) (g) Computation of Net Capital
- (X) (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3
- (X) (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
- (X) (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)**

American Republic Equities Corporation

Financial Statements and  
Supplementary Information

Years Ended December 31, 2017 and 2016

**Contents**

Report of Independent Registered Public Accounting Firm .....	1
Audited Financial Statements	
Statements of Financial Condition.....	2
Statements of Operations.....	3
Statements of Changes in Stockholder’s Equity.....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6
Supplementary Information	
Supplementary Schedules:	
Schedule I - Computation of Net Capital – under SEC Rule 15c3-1 .....	12
Schedule II – Computation for Determination of the Reserve Requirements Pursuant to Rule 15c3-3 .....	14
Schedule III – Information Relating to the Possession or Control Requirements Under Rule 15c3-3 .....	15



Ernst & Young LLP  
Suite 3000  
801 Grand Avenue  
Des Moines, IA 50309-2764

Tel: +1 515 243 2727  
Fax: +1 515 362 7200

## Report of Independent Registered Public Accounting Firm

To the Board of Directors of American Republic Equities Corporation

### Opinion on the Financial Statements

We have audited the accompanying statements of financial condition of American Republic Equities Corporation (the Company) as of December 31, 2017 and 2016, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Supplemental Information

The accompanying 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. Such information is the responsibility of the Company's management. Our audit procedures included determining whether the 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. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have served as the Company's auditor since 1983.

February 23, 2018

American Republic Equities Corporation

Statements of Financial Condition

	December 31	
	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 38,561	\$ 51,962
Current income taxes recoverable	\$ 4,836	4,920
Prepaid insurance	466	974
Total assets	<u>\$ 43,863</u>	<u>\$ 57,856</u>
<b>Liabilities and stockholder's equity</b>		
Liabilities:		
Due to affiliates	\$ 105	\$ 106
Accrued other liabilities	8,506	14,891
Total liabilities	<u>8,611</u>	<u>14,997</u>
Stockholder's equity:		
Common stock, par value \$1.00 per share – 50,000 shares authorized, issued, and outstanding	50,000	50,000
Retained earnings	(14,748)	(7,141)
Total stockholder's equity	<u>35,252</u>	<u>42,859</u>
Total liabilities and stockholder's equity	<u>\$ 43,863</u>	<u>\$ 57,856</u>

*See accompanying notes.*

American Republic Equities Corporation

Statements of Operations

	<b>Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Income:		
Variable annuity processing fee	<b>\$ 6,000</b>	<b>\$ 6,000</b>
	<b>6,000</b>	<b>6,000</b>
Expenses:		
Salaries and related expenses	<b>\$ 427</b>	388
Professional fees	<b>15,369</b>	14,769
Insurance expense	<b>519</b>	518
Licenses and fees	<b>1,801</b>	1,802
Miscellaneous	<b>233</b>	918
	<b>18,349</b>	<b>18,395</b>
Loss before income tax benefit	<b>(12,349)</b>	<b>(12,395)</b>
Current income tax benefit	<b>(4,742)</b>	<b>(4,717)</b>
Net loss	<b>\$ (7,607)</b>	<b>\$ (7,678)</b>

*See accompanying notes.*

American Republic Equities Corporation

Statements of Changes in Stockholder's Equity

	<b>Common Stock</b>	<b>Retained Earnings</b>	<b>Total Stockholder's Equity</b>
Balance at January 1, 2016	\$ 50,000	\$ 537	\$ 50,537
Net loss	-	(7,678)	(7,678)
Balance at December 31, 2016	50,000	(7,141)	42,859
Net loss	-	(7,607)	(7,607)
Balance at December 31, 2017	<u>\$ 50,000</u>	<u>\$ (14,748)</u>	<u>\$ 35,252</u>

*See accompanying notes.*

American Republic Equities Corporation

Statements of Cash Flows

	<b>Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
<b>Operating activities</b>		
Net loss	\$ (7,607)	\$ (7,678)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Current income taxes recoverable	84	(371)
Prepaid insurance	508	(520)
Due to affiliates	(1)	9
Accrued other liabilities	(6,385)	7,513
Net cash used in operating activities	<u>(13,401)</u>	<u>(1,047)</u>
Decrease in cash and cash equivalents	(13,401)	(1,047)
Cash and cash equivalents at beginning of year	51,962	53,009
Cash and cash equivalents at end of year	<u>\$ 38,561</u>	<u>\$ 51,962</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash received for income taxes	<u>\$ 4,826</u>	<u>\$ 4,346</u>

*See accompanying notes.*

## American Republic Equities Corporation

### Notes to Financial Statements (continued)

#### **1. Significant Accounting Policies**

##### **Organization**

American Republic Equities Corporation (the Company) is a wholly-owned subsidiary of American Republic Insurance Company (American Republic) which, in turn, is wholly-owned by American Enterprise Group, Inc. American Enterprise Group, Inc. is a wholly-owned subsidiary of American Enterprise Mutual Holding Company. The Company operates as a broker-dealer principally to market variable annuity products offered by American Republic.

##### **Cash Equivalents**

In connection with the preparation of its statements of cash flows, the Company considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

##### **Revenue Recognition**

The Company's revenues are derived from a monthly fee for the underwriting of a variable product offered by American Republic. Revenues are recognized on an accrual basis.

##### **Adoption of New Accounting Pronouncements**

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (ASC Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the entity satisfies a performance obligation under the contract. The standard also requires disclosures regarding the

## American Republic Equities Corporation

### Notes to Financial Statements (continued)

nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On January 1, 2018, the Company will adopt the guidance. Our evaluation process is complete and included, but was not limited to, identifying the contracts within the scope of the guidance, reviewing and documenting our accounting for these contracts, identifying and determining the accounting for any related contract costs, and preparing the required financial statement disclosures. The Company did not identify any changes in the timing of our revenue recognition or changes related to contract costs.

#### **2. Fair Value Measurements**

GAAP defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. Fair value is the price that the Company would receive at the measurement date upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment.

A hierarchal framework has been established to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk; for example, the risk inherent in a particular valuation technique used to measure fair value, including such a pricing model and/or the risk inherent in the inputs to the valuation technique.

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 – quoted prices in active markets for identical investments.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

## American Republic Equities Corporation

### Notes to Financial Statements (continued)

- Level 3 – significant unobservable inputs (including the Company’s own assumptions in determining the fair value of investments).

At December 31, 2017 and 2016, the Company’s cash equivalents are categorized as level 1 as fair values are measured using quoted market prices in active markets for identical investments.

Transfers between fair value hierarchy levels are recognized at the beginning of the reporting period. The Company did not have any transfers between the levels during the year ended December 31, 2017.

### 3. Income Taxes

The results of the Company’s operations are included in the consolidated federal income tax return of American Enterprise Mutual Holding Company, and its direct and indirect subsidiaries each report current income tax expense as allocated under a consolidated tax allocation agreement. Generally, this allocation results in profitable companies recognizing a tax provision as if the individual company filed a separate return and loss companies recognizing benefits to the extent their losses contribute to reduce consolidated taxes. The Company and certain affiliates also file a consolidated income tax return for the State of Iowa.

The Company’s income tax expense (benefit) was as follows:

	<b>For the year ended December</b>	
	<b>31,</b>	
	<b>2017</b>	<b>2016</b>
	<u>2017</u>	<u>2016</u>
Current income taxes (benefits):		
U.S. federal	\$ (4,095)	\$ (4,177)
State	(647)	(540)
Total current income taxes (benefits)	<u>(4,742)</u>	<u>(4,717)</u>
Total income taxes (benefits)	<u>\$ (4,742)</u>	<u>\$ (4,717)</u>

American Republic Equities Corporation

Notes to Financial Statements (continued)

A reconciliation between the statutory income tax rate and the effective income tax rate was as follows:

	For the year ended December 31,	
	2017	2016
Expected Taxes at Statutory Rate	35.00%	35.00%
State income taxes, net of federal benefit	3.40	3.06
Total income taxes	<u>38.40</u>	<u>38.06</u>

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change. Based on management's evaluation at December 31, 2017 and 2016, there are no significant uncertain tax positions that would require recognition or disclosure in the financial statements.

At December 31, 2017 and 2016, the Company had no net operating loss carryforwards for federal or state income tax purposes nor any capital loss carryovers.

The Company does not believe it would be subject to any penalties or interest relative to any open tax years and, therefore, has not accrued any such amounts. The Company files a U.S. federal income tax return and state income tax returns where required. The 2014 through 2017 U.S. federal tax years are subject to income tax examination by tax authorities. The Company classifies any interest and penalties (if applicable) as income tax expense in the financial statements.

On December 22, 2017, the Tax Cuts and Jobs Act (the Act) was signed into law, significantly changing US corporate income tax laws. The Act reduced the corporate income tax rate to 21%, and as such, requires remeasurement of deferred tax assets for the new tax rate. The effects of the Act were reflected in the 2017 financial statements of the Company as determined or as reasonably estimated provisional amounts based on available information subject to interpretation in accordance with the SEC's Staff Accounting Bulletin No. 118 (SAB 118). There was no impact to the 2017 financial statements. SAB 118 provides guidance on

## American Republic Equities Corporation

### Notes to Financial Statements (continued)

accounting for the effects of the Act where determinations are incomplete but we are able to determine a reasonable estimate. A final determination is required to be made within a measurement period not to extend beyond one year from the enactment date of the Act. The provisional amount applies in regard to potential technical interpretations of accounting and taxing authorities related to elements of the Act subject to change.

#### **4. Regulatory Requirements**

The Company is subject to the Securities and Exchange Commission (SEC) uniform net capital rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined therein, shall not exceed 15 to 1. At December 31, 2017, the Company had defined net capital of \$29,950 which was \$24,950 in excess of its required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was 0.2875 to 1. Various other regulatory agencies may impose additional capital requirements.

The Company is exempt from maintaining a special reserve bank account under Rule 15c3-3(k)(1).

#### **5. Related-Party Transactions**

The Company receives a monthly fee of \$500 for underwriting a variable annuity product offered by American Republic.

Principally all of the Company's operating expenses are the result of charges by American Republic and other affiliates for personnel and other services provided on a mutually agreed-upon basis.

#### **6. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements are issued.

## Supplementary Information

American Republic Equities Corporation

Schedule I - Computation of Net Capital Under SEC Rule 15c-1

December 31, 2017

**Computation of net capital**

1. Total ownership equity from statement of financial condition			\$	35,252
2. Deduct ownership equity not allowable for net capital				<u>—</u>
3. Total ownership equity qualified for net capital				
4. Add:				
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital				—
B. Other (deductions) or allowable credits				<u>—</u>
5. Total capital and allowable subordinated liabilities				35,252
6. Deductions and/or charges:				
A. Total nonallowable assets from statement of financial condition (Notes B and C):				
• Current income taxes recoverable	\$	4,836		
• Prepaid Expenses		<u>466</u>	\$	5,302
B. Secured demand note deficiency				—
C. Commodity futures and spot commodities – proprietary capital charges				—
D. Other deductions and/or charges				<u>—</u>
7. Other additions and/or credits				5,302
8. Net capital before haircuts on securities positions				<u>—</u>
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):				29,950
A. Contractual securities commitments				—
B. Subordinated securities borrowings				—
C. Trading and investment securities:				
1. Exempted securities				—
2. Debt securities				—
3. Options				—
4. Other securities				<u>—</u>
D. Undue concentration				—
E. Other				<u>—</u>
10. Net capital			\$	<u><u>29,950</u></u>

American Republic Equities Corporation

Schedule I - Computation of Net Capital Under SEC Rule 15c-1 (continued)

**Computation of basic net capital requirement**

**Part A**

11. Minimum net capital required (6 2/3% of line 19)	\$ 574
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	5,000
13. Net capital requirement (greater of line 11 or 12)	5,000
14. Excess net capital (line 10 less 13)	24,950
15. Excess net capital at 1000% (line 10 less greater of 10% of line 19 or 120% of line 12)	23,950

**Computation of aggregate indebtedness**

16. Total A.I. liabilities from statement of financial condition	\$ 8,611
17. Add:	
A. Drafts for immediate credit	\$ —
B. Market value of securities borrowed for which no equivalent value is paid or credited	—
C. Other unrecorded amounts	—
19. Total aggregate indebtedness	8,611
20. Percentage of aggregate indebtedness to net capital (line 19 divided by line 10)	28.75%
21. Percentage of debt to debt – equity total computed in accordance with Rule 15c3-1(d)	— %

There are no differences between the computation of net capital under Rule 15c3-1 included in this audited report and the computation included in the Company's corresponding unaudited Form X-17a-5 Part IIA filing as of December 31, 2017.



American Republic Equities Corporation

Schedule III – Information Relating to the Possession or Control Requirements  
Under SEC Rule 15c-3-3

December 31, 2017

The Company is exempt from SEC Rule 15c3-3 as it relates to the possession and control requirements under paragraph (k)(1) of that Rule.