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

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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 01/01/17 AND ENDING 12/31/17  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Sigma Financial Corporation

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

300 Parkland Plaza

(No. and Street)

Ann Arbor

MI

48103

(City)

(State)

(Zip Code)

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

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

RSM US LLP

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

One South Wacker Dr. Suite 800 Chicago

IL

60606

(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)

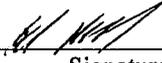
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OATH OR AFFIRMATION

I, Brandon Rydell, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Sigma Financial Corporation, as of December, 20 17, 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:

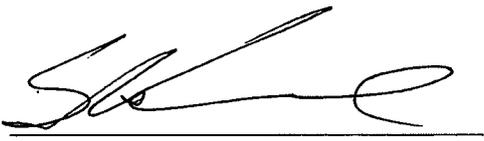
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Signature

Vice President

Title



Notary Public

SCOTT RHOADES  
Notary Public - Michigan  
Monroe County  
My Commission Expires Aug 7, 2020  
Acting in the County of WASHINGTON

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).

**Sigma Financial Corporation**  
**Index**  
**December 31, 2017**

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RSM US LLP

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of Sigma Financial Corporation

### Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Sigma Financial Corporation (the Company) as of December 31, 2017, and the related statements of income, changes in stockholder's equity and cash flows for the year then ended, and the related notes to the financial statements (collectively, the financial statements). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### 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 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting 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.

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.

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**Supplemental Information**

The supplementary information contained in Schedules I and II (the Supplemental Information) 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 supplementary information contained in Schedules I and II is fairly stated, in all material respects, in relation to the financial statements as a whole.

*RSM US LLP*

We have served as the Company's auditor since 2017.

Chicago, Illinois  
February 27, 2018

**Sigma Financial Corporation**  
**Statement of Financial Condition**  
**December 31, 2017**

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**Assets**

Cash, restricted cash and cash equivalents	\$ 8,226,442
Commissions receivable	3,724,999
Receivable from clearing broker	238,565
Interest receivable	38,461
Receivable from representatives	132,136
Other receivables	303,613
Fixed assets, net of accumulated depreciation	24,915
Other assets	2,099,293
	<hr/>
Total assets	<u>\$ 14,788,424</u>

**Liabilities and Stockholder's Equity**

Commissions payable	\$ 3,614,949
Management fees payable	142,608
Accounts payable and other liabilities	875,389
	<hr/>
Total liabilities	<u>4,632,946</u>
Stockholder's equity	
Common stock class A and B, \$1 par value, 50,000 aggregate shares authorized 49,000 aggregate shares issued and outstanding	49,000
Additional paid-in capital	7,550,000
Retained earnings	2,556,478
	<hr/>
Total stockholder's equity	<u>10,155,478</u>
	<hr/>
Total liabilities and stockholder's equity	<u>\$ 14,788,424</u>

The accompanying notes are an integral part of these financial statements

**Sigma Financial Corporation**  
**Statement of Income**  
**Year Ended December 31, 2017**

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<b>Revenues</b>	
Commissions	\$ 56,898,787
Representative fees	2,855,413
Interest	345,942
Account fees and other charges	926,853
Sponsorship revenues	316,627
Other revenues	576,284
	<hr/>
Total revenues	61,919,906
	<hr/>
<b>Expenses</b>	
Commission expense	48,944,355
Management fee expenses	4,655,152
Insurance	1,914,181
Litigation and legal fees	3,132,836
Regulatory and licensing fees	275,748
Clearing and brokerage	794,694
Computer support and software	731,198
Other expenses	1,070,694
	<hr/>
Total expenses	61,518,858
	<hr/>
Net income	\$ 401,048
	<hr/>

The accompanying notes are an integral part of these financial statements

**Sigma Financial Corporation**  
**Statement of Changes in Stockholder's Equity**  
**Year Ended December 31, 2017**

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	Common Stock Class A		Common Stock Class B		Additional Paid-in Capital	Retained Earnings	Total Stockholder's Equity
	Shares	Amount	Shares	Amount			
Balances, January 1, 2017	10	\$10	48,990	\$48,990	\$7,550,000	\$2,177,512	\$9,776,512
Net income						401,048	401,048
Additional paid-in capital from shareholder							-
Distributions to shareholder						(22,082)	(22,082)
Balances, December 31, 2017	<u>10</u>	<u>\$10</u>	<u>48,990</u>	<u>\$48,990</u>	<u>\$7,550,000</u>	<u>\$2,556,478</u>	<u>\$10,155,478</u>

The accompanying notes are an integral part of these financial statements

**Sigma Financial Corporation**  
**Statement of Cash Flows**  
**Year Ended December 31, 2017**

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<b>Cash flows from operating activities</b>	
Net income	\$ 401,048
Adjustments to reconcile net income to net cash used in operating activities	
Depreciation expense	22,414
Changes in assets and liabilities	
Decrease in receivable from clearing broker	253,497
Increase in commissions receivable	(1,283,900)
Increase in receivable from representatives	(20,506)
Increase in interest receivable	(30,204)
Decrease in other receivables	1,470,068
Increase in other assets	(470,243)
Increase in commissions payable	1,333,318
Increase in management fees payable	31,959
Decrease in accounts payable and other liabilities	<u>(2,845,861)</u>
Net cash used in operating activities	<u>(1,138,410)</u>
<b>Cash flows from financing activities</b>	
Distributions paid to shareholder	(20,844)
Net decrease in cash and cash equivalents	(1,159,254)
Cash, restricted cash and cash equivalents, beginning of year	<u>9,385,696</u>
Cash, restricted cash and cash equivalents, end of year	<u>\$ 8,226,442</u>
<b>Supplemental disclosure of cash flow information</b>	
Payment of prior year distribution payable	<u>\$ 1,100</u>
Interest paid	<u>\$ 16,520</u>
Distribution payable as of December 31, 2017 *	<u>\$ 2,338</u>

\* Distribution payable amounts are included in accounts payable and other liabilities on the statement of financial condition but excluded from the change in accounts payable and other liabilities.

The accompanying notes are an integral part of these financial statements

**Sigma Financial Corporation**  
**Notes to Financial Statements**  
**December 31, 2017**

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**1. Summary of Significant Accounting Policies**

**Organization and Nature of Business**

Sigma Financial Corporation ("Company") is a registered broker-dealer subject to the rules and regulations of the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). The Company was incorporated under the laws of the State of Michigan in September 1983 and is wholly owned by Jerome S. Rydell ("Rydell").

The Company offers to its customers various investment products, including mutual funds, equity and fixed income securities, option contracts, variable life insurance policies, variable annuity contracts, fixed and index annuities, and alternative investments including 1031 tenant in common programs, real estate investment trusts, oil and gas programs through independent registered representatives which operate independent branch offices located throughout the United States of America and/or territories.

The Company operates pursuant to SEC Rule 15c3-3(k)(2)(ii) clearing transactions on a fully disclosed basis through its clearing firm, National Financial Services, LLC ("NFS"), and on a subscription-way basis with registered investment companies, insurance and annuity providers and other product offerings. The Company does not hold customer funds or safekeep customer securities.

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

**Use of Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash, Cash Equivalents, and Restricted Cash**

The Company's cash and cash equivalents consist of funds on deposit primarily in corporate checking accounts and money markets at financial institutions (Note 5). Cash equivalents include assets easily convertible to cash with original maturities of less than 90 days. Money market funds are stated at cost, which approximates fair value.

Restricted cash and restricted cash equivalents represent amounts on deposit at financial institutions that are legally restricted due to contract terms with NFS, other financial institutions, or due to the SEC rules and regulations. Included on the statement of financial condition is a restricted cash deposit for margin requirements at NFS in the amount of \$75,000, and other cash balances on deposit with other financial institutions in the amount of \$10,077.

Cash and cash equivalents	\$ 8,141,365
Restricted cash	85,077
Total cash, restricted cash and cash equivalents shown in the statement of cash flows	<u>\$ 8,226,442</u>

**Sigma Financial Corporation**  
**Notes to Financial Statements**  
**December 31, 2017**

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**Commissions Receivable and Commissions Payable**

Commission receivables represents the dealer concessions, including 12b-1 receivables, owed to the Company from investment companies, insurance and annuity companies, and other product offerings for the solicitation or sale of their investments and products to customers.

Commissions payable are the amounts owed to registered representatives of the Company for their services, sales commissions and 12b-1 fees earned related to customer securities transactions.

**Receivable from Clearing Broker**

Receivable from clearing broker are the net amounts owed from NFS to the Company for dealer concessions, markups on riskless securities transactions and account fees and other charges. These revenues and expenses result from customer securities transactions introduced by the Company and cleared by NFS. Amounts receivable from and payable to NFS are recorded net of any related clearing fees and liabilities in receivable from clearing broker on the accompanying statement of financial condition in accordance with Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") 210, *Balance Sheet Offsetting*.

Interest due to the Company from NFS is recorded in interest receivable.

**Receivables from Representatives**

Affiliation fees, commission charge backs, and other costs that are the responsibility of registered representatives are offset against amounts owed to registered representatives for their commissions payable. If the balance of the debits owed to the Company exceed the amount owed to the registered representative then the balance owed to the Company is recorded as a receivable.

Registered representatives are responsible for their registration and licensing costs which are collected by the Company on behalf of the registered representatives and submitted to the Central Registration Depository. The amounts owed from the registered representatives for the registration and licensing costs are also included in receivables from representatives.

**Other Receivables**

Other receivables include amounts relating to sponsorship revenues, promissory notes, trade receivables and any receivables relating to errors and omissions insurance indemnification provisions for various costs associated with litigation or arbitrations brought against the Company.

The Company makes periodic loans, promissory notes or advances ("Notes") to associated persons. These Notes typically have stated interest rates above the prime rate and have maturities of three years or less. The interest income is recorded when earned. As of December 31, 2017, the outstanding principal balance of the notes was \$93,762.

**Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets which range from 3 to 12 years. Maintenance and repairs of assets are expensed as incurred.

**Sigma Financial Corporation**  
**Notes to Financial Statements**  
**December 31, 2017**

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Fixed assets consisted of the following at December 31, 2017:

Office equipment	\$ 329,749
Less: Accumulated depreciation	<u>(304,834)</u>
Fixed assets, net of accumulated depreciation	<u>\$ 24,915</u>

**Other Assets**

Other assets consist primarily of prepaid expense of \$1,035,294 for payments to the Central Registration Depository for licensing and registration costs, national and regional conference deposits, unamortized cost for errors and omissions insurance policy(s), surety bond and financial institution bond premiums. Prepaid expenses are expensed as incurred or amortized using the straight line method over the policy or contract period.

Under certain circumstances, the Company provides financial support to contracted registered representatives by executing forgivable loans or signing bonuses. The forgivable loans have contract terms that require the registered representative to remain registered with the Company for a stated period typically ranging from 3 to 7 years and may contain provisions requiring yearly minimum production requirements. A portion of the loan principal balance is forgiven annually at the registered representative's registration anniversary date and upon the satisfaction of any production requirements. The Company realizes the economic benefit over the passage of time and amortizes the costs using the straight-line method over the stated period.

Signing bonuses that contain contract terms that requires the representative to remain associated with the Company for a certain period are amortized using the straight-line method over the stated period. Agreements that do not contain term provisions are expensed when incurred.

If the terms of the agreement are breached by the registered representative, the registered representative is responsible for the repayment of any balances to the Company according to the terms of the agreement. For a signing bonus, the registered representative is liable for the entire amount of the signing bonus. Forgivable loans require the registered representative to make payment of the principal and accrued interest amounts outstanding as of the prior anniversary date.

As of December 31, 2017, the unamortized balances for signing bonuses and forgivable loans is \$1,062,626 and is reflected in other assets.

**Accounts Payable and Other Liabilities**

Included in accounts payable and other liabilities is \$124,571 for general operating expenses owed to unrelated third parties. Also included are amounts due to various states for assessments and fees, shareholder withholdings (Note 2), loss contingencies (Note 4), and unearned revenues.

Unearned revenues of \$10,000 are related to sponsorship revenues which the payments are collected in advance and revenue is recognized when earned.

**Fair Value Measurement**

The Company's financial assets and liabilities are carried at fair value or contracted amounts which approximate fair value. The Company's assets and liabilities recorded at fair value in the statement of financial condition are categorized based upon the level of judgment associated with the inputs used

**Sigma Financial Corporation**  
**Notes to Financial Statements**  
**December 31, 2017**

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to measure their fair value. Hierarchical levels, defined by FASB ASC 820, *Fair Value Measurement*, and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets, are as follows:

- Level I      Unadjusted quoted prices in an active, accessible market to identical assets or liabilities.
- Level II     Other inputs that are directly or indirectly observable in the marketplace. There are no financial assets or liabilities classified as Level II.
- Level III    Unobservable inputs which are supported by little or no market activity. There are no financial assets or liabilities classified as Level III.

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, and accounts payable. The carrying values of these financial instruments approximate fair value because of the short-term nature of these instruments.

**Revenues and Expenses**

In the statement of operations, commission revenues include dealer concessions from investment company shares and 12b-1 fees, securities transactions executed through NFS, alternative investments, insurance policies, and annuity contracts, from customer securities transactions. Commission revenues as well as the related commission expense are recorded on a trade date or accrual basis.

The Company determined that an accounting policy change would better reflect the revenues and expenses of the Company with how it records the execution of customer securities transactions through NFS. Trade execution expenses for securities transactions were netted against commission revenues and recorded as a net amount. January 1, 2017, the Company has elected to record the gross amount of the execution expenses and revenues. The change in accounting resulted in an increase of \$433,868 to commission revenues and also clearing and execution expenses for 2017. There is no impact on the net income or financial condition of the Company.

Representative fees consist of monthly fixed fees charged to registered representatives. The fees cover various costs and services the Company provides to registered representatives such as portfolio analysis, technology support, and errors and omissions insurance premiums which are recorded on an accrual basis.

The Company earns interest on its cash balances on deposit with financial institutions (Note 5). A majority of the interest income is earned on Company and customer deposits with NFS. NFS credits the Company interest based on a sharing agreement in which the Company is credited a percentage of the interest that NFS earns on certain deposits, fully paid lending services and margin borrowings of customers introduced by the Company.

Account fees and other charges in the statement of income are fees and other revenues earned from its relationship with NFS that are not related to customer trade executions or interest sharing agreements.

Sponsorship revenues are earned by providing investment product companies the opportunity to market their services and products to the registered representatives of the Company. The sponsors are provided direct marketing to the Company's registered representatives and can also attend

**Sigma Financial Corporation**  
**Notes to Financial Statements**  
**December 31, 2017**

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conferences and seminars that are hosted by the Company and its affiliates, Sigma Planning Corporation ("SPC") a registered investment advisor with the SEC, and Parkland Securities, LLC ("Parkland") a registered broker dealer. The Company offers multiple levels of marketing arrangements with each level providing different benefits to the sponsors. Sponsorship payments received in advance of being earned are recorded as unearned revenues and subsequently recognized as revenue when earned.

Other revenues include license and registration processing fees for registered representatives, software and subscription revenues charge to registered representatives, and various other revenues the Company earned in the normal course of business.

Commission expenses are the amounts that are due to registered representatives for their commissions earned. Commission expense varies for each registered representative and is calculated as a percentage of commission revenues.

Management fee expenses are costs incurred from the Company's relationship with BD Ops for services provided to the Company (Note 3).

The Company incurs insurance expenses related to errors and omissions policy(s), fidelity bonds and other various insurance expenses. A majority of insurance expense in the statement of income is from errors and omissions insurance policy(s) and is amortized and expensed over the policy period.

Litigation and legal fees are costs associated with general attorney fees and arbitrations or complaints that are brought against the Company from customer transactions. The costs incurred include attorney fees, arbitration filing fees, court filing fees, defense costs, reserves for settlements, and any settlements paid to claimants (Note 4).

Regulatory and licensing expenses are amounts assessed to the Company by FINRA, state regulatory agencies, and the Security Investor Protection Corporation for dues and costs associated with the securities industry.

Clearing and brokerage expenses are incurred for non-trade related transactions and trade execution services that are provided by NFS. Transactions not related to trade execution services that NFS provides to the Company include account maintenance, custodial fees, costs associated with customer trade confirmations and account statements. Technology expenses charged to the Company by NFS are recorded in computer support and software.

The Company utilizes numerous software programs and related systems that are included in computer support and software. Various systems and related software are used by the Company and/or registered representatives for financial planning and asset allocation, customer account servicing, and compliance.

Other expenses in the statement of income include interest expense of \$18,958 and expenses related to accounting, bad debt expenses, bank service charges, conferences, consultants not related to litigation or legal, postage and freight, depreciation, amortized costs related to forgivable loans and signing bonuses for registered representatives, state assessments and fees for doing business in those states, and other expenses incurred in the normal course of business. Also included in other expenses are advertising costs of \$38,625 which are expensed when incurred.

**Sigma Financial Corporation**  
**Notes to Financial Statements**  
**December 31, 2017**

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**Recent Accounting Pronouncements**

The FASB issued the Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers, Topic 606* and subsequent updates No. 2015-14, 2016-08, 2016-10, 2016-12, 2016-20, 2017-13, 2017-14 ("ASC Topic 606"). ASC Topic 606 supersedes revenue recognition requirements in Topic 605, *Revenue Recognition*, and other specific revenue guidance and becomes effective for annual reporting periods beginning after December 15, 2017.

The Company has evaluated ASC Topic 606 and has identified its revenues that are within the scope of ASC Topic 606 to determine what effect, if any, that the accounting standard updates would have on the financial reporting and accounting policies of the Company. The Company will adopt this guidance effective as of January 1, 2018. The Company has determined that there will be no initial impact as a result of adopting Topic 606, nor does it expect any significant financial statement impact in subsequent periods.

The Company will continue to monitor and evaluate the potential impact of any new updates, interpretations, and regulations.

**Income Taxes**

The Company is organized and taxable under the applicable provisions of the Internal Revenue Code as an S Corporation. Under such provision, the Company is not subject to federal income tax. The stockholder is liable for the taxes, if any, on their distributive share of income.

FASB ASC 740, *Income Taxes*, requires the Company to evaluate any tax positions taken or expected to be taken in preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Any tax positions that do not meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. Through December 31, 2017, management has determined there are no material uncertain income tax positions.

**2. Stockholder's Equity**

The Company made periodic distributions to its stockholder during 2017 in the aggregate amount of \$22,082 based on the cash balances, net capital, and net income of the Company. Distributions are recognized when declared and included in the statement of changes in stockholder's equity.

Certain states require flow-through withholding of the shareholder's distributive income due to the S-Corporation election. The Company makes payment to those states on behalf of the shareholder in addition to any composite tax returns that the Company has elected to file. Of the aggregate amount of distributions to stockholders, included are distribution amounts of \$5,251 were recorded for shareholder withholdings. As of December 31, 2017, \$2,338 was payable and recorded in accounts payable and other liabilities in the statement of financial condition.

### **3. Related Party Transactions**

The Company receives various services such as personnel including management, the use of telecommunications, office space, systems and equipment, and other general and administrative support from BD Ops, a company owned by Rydell and a trust under the control of Rydell.

BD Ops has a formal management services agreement with the Company, Parkland, and SPC, all of which are related parties by common ownership. Whereby BD Ops provides such services to the Company, Parkland, and SPC and the Company pays a management fee expense to BD Ops for the services received.

The management expenses are allocated between the Company, Parkland, and SPC based on their pro-rata share of their combined cash receipts from dealer concessions, advisory and consulting revenues and their combined number of registered representatives and IARs. For the year ended December 31, 2017, the Company recorded management expenses of \$4,655,152 in the statement of income and as of December 31, 2017, the Company accrued \$142,608 due to BD Ops in accordance with the management agreement.

SPC and BD Ops are subject to a Base Security Agreement with Sammons Securities, Inc. ("SSI") in which SPC and BD Ops have been pledged as collateral to secure the payment and performance for a loan from SSI to Jerome S. Rydell. The loan was entered into by the parties to allow financing of the sale of Parkland from SSI to Jerome S. Rydell and a Trust under the control of Jerome S. Rydell. In the event of a default or acceleration of the indebtedness and if not cured within the applicable cure or grace period, SSI shall have the right to the collateral.

### **4. Commitments and Contingencies**

The Company is subject to litigation, arbitrations and regulatory actions in the ordinary course of its business. The Company has five pending arbitration claims which have been filed against the Company for alleged damages relating to the execution of securities transactions. The claims filed allege damages ranging from approximately \$75,000 to \$700,000 on a per claim basis. The Company also has one pending arbitration claim that is not covered by errors and omissions insurance and alleges damages of approximately \$160,000.

Management, with the assistance of legal counsel evaluates the claims on an ongoing basis as information becomes available. In accordance with FASB ASC 450, *Loss Contingencies*, claims where it is probable a loss will be incurred and where a reasonable estimate of that loss could be made, the Company recorded a liability in connection with such claims.

For claims where a reasonable estimate of loss could not be made due to the uncertainty of the outcome of litigation or arbitration, the Company has not recorded a liability due to its inability to make a reasonable estimate of loss in accordance with FASB ASC 450. The Company has nonetheless recorded an estimate for the defense costs of such claims. Further, these claims in which a reasonable estimate of loss could not be made due to the uncertainty of the outcome of litigation or arbitration standards of FASB ASC 450 may nonetheless be material.

At December 31, 2017, the Company recorded a loss contingency of \$722,541 in accounts payable and other liabilities for potential losses and costs associated with the defense of these matters and are included in litigation and legal fees in the statement of income.

**Sigma Financial Corporation**  
**Notes to Financial Statements**  
**December 31, 2017**

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For unasserted claims that may occur against the Company, an estimate of loss cannot be reasonably made and none have not been recorded.

On September 23, 2015, the Company filed a complaint in the United States District Court, Central District of California, Southern Division against one of the Company's errors and omissions insurers and three insurance brokers relating to a coverage dispute. The dispute is from the Company's claims based, excess coverage, errors and omissions policy that was purchased in 2012 in which the insurer denied customer claims relating to certain arbitrations brought against the Company. The Company is seeking damages of over \$1,000,000 for indemnification and litigation costs incurred and paid by the Company in connection with the customer claims which have all been resolved. The litigation is still pending and unresolved and as of the issuance of these financial statements an estimate of recovery cannot be made so none have been recorded.

**5. Concentrations of Credit Risk**

The Company maintains a majority of its cash balances in several accounts at NFS and two financial institutions located in Michigan and Ohio. The balances with the financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2017, the Company had uninsured cash balances of \$4,580,474 with the financial institutions.

The cash balances with NFS and other financial institutions are also not covered by FDIC and the uninsured amounts are \$3,312,722 as of December 31, 2017.

**6. Guarantees and Indemnification**

FASB ASC 460, *Guarantees*, requires the disclosure of representations and warranties which the Company enters into and which may provide general indemnifications to others. The Company, in its normal course of business, may enter into contracts that contain such representations and warranties.

Securities transactions of the Company's customers are introduced and cleared through NFS. Pursuant to the clearing agreement, NFS has the right to seek reimbursement from the Company for certain losses, account debit balances and margin requirements that may result from customer transactions if the customer does not cover such losses, outstanding amounts due or satisfy margin requirements. The Company's policy is to minimize the related off balance sheet risk and exposure through the use of a variety of exposure reporting and control procedures, including reviewing, as necessary, the credit standing of each customer with which it conducts business.

The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on its experience, the Company expects the risk of loss to be remote. As of December 31, 2017, there has not been a material reimbursement request received or outstanding.

**7. Net Capital Requirements**

The Company is subject to the Uniform Net Capital Rule (Rule 15c3-1), pursuant to the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital of \$250,000 or 6-2/3 percent of aggregate indebtedness, whichever is greater, as these terms are defined. The Rule also

**Sigma Financial Corporation**  
**Notes to Financial Statements**  
**December 31, 2017**

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requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. At December 31, 2017, the Company had net capital of \$7,125,433 which was \$6,817,364 in excess of its required net capital of \$308,069. The Company's ratio of aggregate indebtedness to net capital was .65 to 1.

The Company claims exemption from Customer Protection-Reserves and Custody of Securities Rule 15c3-3 pursuant to section (k)(2)(ii). The Company introduces its customers' accounts and acts as a finder agent in the sale of general securities and mutual funds. Customer transactions are cleared through a broker-dealer on a fully disclosed basis and the Company does not hold customer funds or safekeep customer securities.

**8. Subsequent Events**

The Company has evaluated subsequent events for recognition or disclosure through the date these financial statements were issued.

**Supplemental Schedules**

**Sigma Financial Corporation**  
**Computation of Net Capital Under Rule 15c3-1 of the**  
**Securities and Exchange Commission**  
**December 31, 2017**

**Schedule I**

<b>Net capital</b>		
Total stockholder's equity qualified for net capital		<u>\$ 10,155,478</u>
<b>Deductions and/or charges</b>		
Total nonallowable assets		
Commission receivable	470,144	
Representative fees receivable	132,136	
Other receivable	303,613	
Fixed assets	24,915	
Other assets	<u>2,097,922</u>	
Total nonallowable assets		3,028,730
Other deductions and/or charges		<u>-</u>
Net capital before haircuts		7,126,748
Haircuts on other securities		<u>1,315</u>
Net capital		<u>\$ 7,125,433</u>
Aggregate indebtedness		<u>\$ 4,621,034</u>
<b>Computation of basic net capital requirements</b>		
<b>Pursuant to SEC Rule 15c3-1</b>		
Minimum net capital required (6 2/3% of aggregate indebtedness)	(A) \$ 308,069	
Minimum dollar net capital requirement	(B) <u>250,000</u>	
Net capital requirement (greater of (A) or (B))	<u>308,069</u>	
Excess net capital (net capital, less net capital requirement)	<u>\$ 6,817,364</u>	
Net capital less greater of 10% of aggregate indebtedness or 120% of minimum dollar net capital requirement	<u>\$ 6,663,330</u>	
Ratio of aggregate indebtedness to net capital	<u>.65 to 1</u>	

There are no material differences between the computation above and the computation included in the corresponding unaudited FOCUS Report, Part IIA Form X-17a-5 as of December 31, 2017.

**Sigma Financial Corporation**  
**Computation of Determination of Reserve Requirements and Information**  
**Relating to Possession or Control Requirements Under Rule 15c3-3 of the**  
**Securities and Exchange Commission**  
**December 31, 2017**

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**Schedule II**

The Company claims exemption under Section (k)(2)(i) and (k)(2)(ii) of Rule 15c3-3.

**Exemption Report**  
**For Year Ended December 31, 2017**

We as members of management of Sigma Financial Corporation (the "Company") are responsible for complying with 17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers" and complying with 17 C.F.R. §240.15c3-3: (k)(2)(i) and (k)(2)(ii) (the "exemption provisions"). To the best of our knowledge and belief we state the following:

1. The Company claimed an exemption from 17 C.F.R. §240.15c3-3 under the following provisions of 17 C.F.R. §240.15c3-3: (k)(2)(i) and (k)(2)(ii), and
2. We met the identified exemption provisions throughout the period from January 1, 2017 to December 31, 2017, except as follows whereby certain customer checks were not transmitted by noon of the next business day following receipt.

In 743 instances customer checks were received at our branch offices, mailed to our Office of Supervisory Jurisdiction ("OSJ") for review and processing, and thereafter transmitted to our clearing firm no later than next business day following receipt at the OSJ, but later than noon of the next business day following the initial receipt in our branch offices. These exceptions are due to the two-business-day delay involved in sending customer checks from our branch offices to the OSJ via postal mail or courier service. Second, we identified 67 checks that inadvertently were not transmitted by noon of the next business day following receipt. The following is a month-by-month breakdown of these exceptions by percentage:

<u>Month</u>	<u>Number of Checks</u>	<u>Percentage</u>
January	168	21%
February	105	13%
March	155	19%
April	165	20%
May	44	5%
June	36	4%
July	23	3%
August	23	3%
September	13	2%
October	15	2%
November	26	3%
December	37	5%

Sigma Financial Corporation

  
 \_\_\_\_\_  
 Brandon Rydell  
 Chief Financial Officer

2/26/18  
 \_\_\_\_\_  
 Date

**Report of Independent Registered Public  
Accounting Firm on Exemption Report**



RSM US LLP

## Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholder  
Sigma Financial Corporation

We have reviewed management's statements, included in the accompanying Exemption Report, in which (a) Sigma Financial Corporation (the Company) identified the following provisions of 17 C.F.R. § 240.15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3: (2)(i) and (2)(ii) (the exemption provisions) and (b) the Company stated that the Company met the identified exemption provisions throughout the most recent fiscal year, except as described in its exemption report. The Company's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(i) and (k)(2)(ii) of 17 C.F.R. § 240.15c3-3.

*RSM US LLP*

Chicago, Illinois  
February 27, 2018

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AUDIT | TAX | CONSULTING



# **Sigma Financial Corporation**

**Schedule of Assessment and Payments General**

**Assessment Reconciliation (Form SIPC-7)**

**December 31, 2017**

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This report is deemed CONFIDENTIAL in accordance with Rule 17a-5(e)(3)  
Under the Securities Exchange Act of 1934.

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RSM US LLP

## Report of Independent Registered Public Accounting Firm on Applying Agreed-Upon Procedures

Board of Directors and Stockholder  
Sigma Financial Corporation

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934 and with the SIPC Series 600 Rules, we have performed the procedures enumerated below, which were agreed to by Sigma Financial Corporation (the Company) and the Securities Investor Protection Corporation (SIPC) with respect to the accompanying General Assessment Reconciliation (Form SIPC-7) of the Company for the year ended December 31, 2017, solely to assist you and SIPC in evaluating the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). The Company's management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the Public Company Accounting Oversight Board (United States) and the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

- a. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement record entries, noting no differences.
- b. Compared the Total Revenue amounts reported on the annual audited report Form X-17A-5 Part III for the year ended December 31, 2017, as applicable, with the Total Revenue amounts reported in Form SIPC-7 for the year ended December 31, 2017, noting no differences.
- c. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers, noting no differences.
- d. Recalculated the mathematical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments, noting no differences.

We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the applicable instructions of the Form SIPC-7. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be, and should not be, used by anyone other than these specified parties.

*RSM US LLP*

Chicago, Illinois  
February 27, 2018

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**SIPC-7**

(35-REV 6/17)

SECURITIES INVESTOR PROTECTION CORPORATION  
P.O. Box 92185 Washington, D.C. 20090-2185  
202-371-8300

**General Assessment Reconciliation**

12/31/17

For the fiscal year ended  
(Read carefully the instructions in your Working Copy before completing this Form)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

2-2246\*"\*" \*\*\*\*\*" \*"" MIXED AADC 220  
30466 FINRA DEC  
SIGMA FINANCIAL CORPORATION  
300 PARKLAND PLZ  
ANN ARBOR, MI 48103-6201

Note: If any of the information shown on the filing label requires correction, please e-mail by corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

Brandon Rydell 734-663-1611

2. A. General Assessment (Item 2e from page 2)	\$ 21,897
B. Less payment made with SIPC-6 filed (exclude Interest)	( 9,525 )
<u>07/21/2017</u>	
Date Paid	
C. Less prior overpayment applied	( )
D. Assessment balance due or (overpayment)	12,372
E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum	
F. Total assessment balance and interest due (or overpayment carried forward)	\$ 12,372
G. PAYMENT: <input checked="" type="checkbox"/> the box	
Check mailed to P.O. Box <input checked="" type="checkbox"/> Funds Wired <input type="checkbox"/>	\$ 12,372
Total (must be same as F above)	
H. Overpayment carried forward	\$( )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):  
\_\_\_\_\_  
\_\_\_\_\_

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

**Sigma Financial Corporation**

(Name of Corporation, Partnership or other organization)

*[Signature]*  
(Authorized Signature)

Dated the 2 day of February, 2018

(Title)

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER** Dates:                                   
                  Postmarked      Received      Reviewed  
Calculations            Documentation            Forward Copy             
Exceptions:  
Disposition of exceptions:

**DETERMINATION OF "SIPC NET OPERATING REVENUES"  
AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning 01/01/2017  
and ending 12/31/2017

**Item No.**

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

Eliminate cents  
61,919,906  
\$ \_\_\_\_\_

**2b. Additions:**

(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.

\_\_\_\_\_

(2) Net loss from principal transactions in securities in trading accounts.

\_\_\_\_\_

(3) Net loss from principal transactions in commodities in trading accounts.

\_\_\_\_\_

(4) Interest and dividend expense deducted in determining Item 2a.

\_\_\_\_\_

(5) Net loss from management of or participation in the underwriting or distribution of securities.

\_\_\_\_\_

(6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.

\_\_\_\_\_

(7) Net loss from securities in investment accounts.

\_\_\_\_\_

Total additions

\_\_\_\_\_

**2c. Deductions:**

(1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.

46,888,156

(2) Revenues from commodity transactions.

\_\_\_\_\_

(3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.

433,868

(4) Reimbursements for postage in connection with proxy solicitation.

\_\_\_\_\_

(5) Net gain from securities in investment accounts.

\_\_\_\_\_

(6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.

\_\_\_\_\_

(7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).

\_\_\_\_\_

(8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C):

\_\_\_\_\_

(Deductions in excess of \$100,000 require documentation)

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ \_\_\_\_\_

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ \_\_\_\_\_

Enter the greater of line (i) or (ii)

\_\_\_\_\_

Total deductions

47,322,024

\_\_\_\_\_

14,597,882

\_\_\_\_\_

2d. SIPC Net Operating Revenues

\$ \_\_\_\_\_

2e. General Assessment @ .0015 Rate effective 1/1/2017

\$ \_\_\_\_\_

21,897

\_\_\_\_\_

(to page 1, line 2.A.)



# **Sigma Financial Corporation**

**Financial Statements and  
Supplementary Information  
Pursuant to Rule 17a-5 of the Securities  
Exchange Act of 1934  
December 31, 2017**