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

SEC FILE NUMBER
8-30097

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 07/01/17 AND ENDING 06/30/18
 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER DEALER: Portsmouth Financial Services

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
250 Montgomery Street, Suite 200
 (No. and Street)

San Francisco California 94104
 (City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Dennis P. Collins (415) 543-8500
 (Area Code - Telephone No.)

B. ACCOUNTANT DESIGNATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
OHAB AND COMPANY, PA
 (Name - if individual, state last, first, middle name)
100 E. SYBELIA AVENUE, SUITE 130, MAITLAND Florida 32751
 (Address and 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 audit 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).

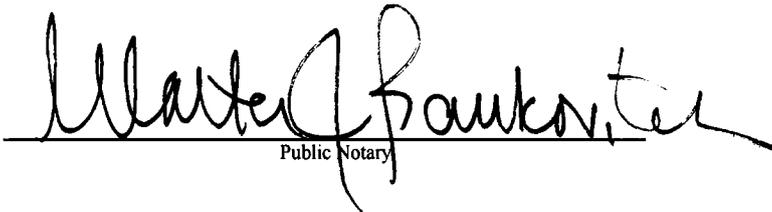
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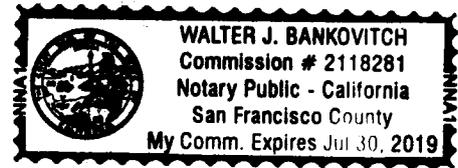
OATH OR AFFIRMATION

I, Dennis P. Collins, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm or Portsmouth Financial Services, as of June 30, 2018 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:


Signature

President
Title


Public Notary



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 Proprietor's Capital.
- (f) Statement of changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 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 15c3-1.
- (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).

**PORTSMOUTH FINANCIAL SERVICES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30 2018**



Ohab and Company, P.A.

100 E. Sybelia Ave. Suite 130
Maitland, FL 32751

Certified Public Accountants
Email: pam@ohabco.com

Telephone 407-740-7311
Fax 407-740-6441

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Members'
of Portsmouth Financial Services

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Portsmouth Financial Services as of June 30, 2018, and the related notes (collectively referred to as the financial statement). In our opinion, the statement of financial condition presents fairly, in all material respects, the financial position of Portsmouth Financial Services as of June 30, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This financial statement is the responsibility of Portsmouth Financial Services' management. Our responsibility is to express an opinion on Portsmouth Financial Services' financial statement 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 Portsmouth Financial Services' 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 statement is 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 statement, 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.

We have served as Portsmouth Financial Services' auditor since 2015.

Ohab and Company, P.A.

Ohab and Company, PA
Maitland, Florida
September 5, 2018

**PORTSMOUTH FINANCIAL SERVICES
STATEMENT OF FINANCIAL CONDITION
AS OF JUNE 30, 2018**

ASSETS

Cash and cash equivalents	\$ 754,890
Deposit – Pershing & Co.	100,000
Commissions Receivable	586,187
Prepaid Expenses and Other Assets	73,166
Furniture and Equipment, less accumulated Depreciation of \$160,190	<u>4,927</u>
TOTAL ASSETS	<u>\$ 1,519,170</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Salaries and Commissions	\$ 683,220
Accrued Expenses	<u>377,754</u>
TOTAL LIABILITIES	<u>\$ 1,060,974</u>

STOCKHOLDERS' EQUITY

Common stock - no par value: Authorized 500,000 shares Issued and outstanding 90,000 shares	\$ 87,486
Paid in capital	10,154
Retained earnings	<u>360,556</u>
TOTAL STOCKHOLDERS' EQUITY	<u>\$ 458,196</u>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 1,519,170</u>
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The accompanying notes are an integral part of these financial statements

**PORTSMOUTH FINANCIAL SERVICES
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

1. ORGANIZATION

PORTSMOUTH FINANCIAL SERVICES (the "Company") is a corporation, registered as a broker-dealer and a registered investment advisor whose main office is in San Francisco, California. The Company is registered with the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority, Inc. ("FINRA") since 1983. The Company is engaged in securities brokerage and investment banking services, consulting, as well as advisory services. The company operates on a fully disclosed basis through a clearing firm with employees and independent registered representatives throughout the United States. The Company claims exemption from the Securities and Exchange Commission Rule 15c3-3 because it does not carry customer funds or handle customer securities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents - The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents for the purposes of the statement of cash flows.

Deposit with clearing brokers - Cash deposited with clearing brokers consists of funds on deposit with the Clearing Brokers pursuant to the Company's clearing agreements. The agreements require the Company to maintain a minimum of \$100,000 as clearing deposits based upon the level of securities inventory, the volume and size of transactions, and the type of business being conducted. As long as the Company continues to use the clearing and execution services of the Clearing Broker, the Company will be required to maintain the cash on deposit. Interest is paid monthly on the deposit at the average overnight repurchase agreement rate.

Receivables from clearing brokers - Receivables from clearing brokers represents monies due the Company from the Clearing Brokers through securities generated transactions. An allowance for doubtful accounts is not recorded since the Clearing Broker adjusts accounts monthly to actual collections and the Company then records direct write-offs.

Furniture and equipment - Furniture and equipment are recorded at cost if and when purchased. Repair and maintenance costs are charged to operations as incurred. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any gains or losses are included in operations. Depreciation of furniture and equipment is to utilize the Double-Declining Balance Method over the estimated useful lives of the related assets.

Asset Management and Advisor Income - Investment advisory fees are received quarterly but are recognized as earned.

Investment banking fees - Investment banking fees are recorded when services for the transaction are determined to be completed, generally as set forth under the terms of the agreement.

Selling concessions - Revenue generated from sales of mutual funds, variable products, fixed products and direct participation programs are recorded when earned on a trade date basis.

**PORTSMOUTH FINANCIAL SERVICES
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Securities transactions and commissions – The Company derives commissions and other revenue primarily from its clearing brokers for trading activity of its customers. The Company records security transactions and commissions due thereon on a trade date basis. Interest revenue recorded by the

The Company has entered into contracts with Pershing & Co., Inc. who has agreed to act as clearing brokers on a fully disclosed basis for all the Company's dealings with customer's securities accounts. Accordingly, the Company has no direct receivables or payables to customers or brokers as a result of securities transactions.

Advertising costs – The Company expenses advertising costs when incurred. During the year ended June 30, 2018, the Company incurred advertising and promotion expense of approximately \$5,783.

Income taxes - The Company accounts for income taxes according to , FASB ASC 740-10-50, which require an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred asset will not be realized. Income tax expense is the tax payable or refundable for the period, plus or minus the change during the period in deferred tax assets and liabilities.

Uncertain tax positions – The Company follows FASB Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. The guidance prescribes a recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the financial statements. Generally, the tax years before 2015 are no longer subject to examination by federal, state, or local taxing authorities.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Revenue recognition – In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (“ASC”) 606, revenue from Contracts With Customers, originally effective for public business entities with annual reporting periods beginning after December 15, 2016. On August 12, 2015, the FASB extended the effective date of ASC 606 for one year. ASC 606 provides accounting guidance related to revenue from contracts with customers. The new revenue recognition standard (new guidance) has a five-step process: a) Determine whether a contract exists; b) Identify the performance obligations; c) Determine the transaction price; d) Allocate the transaction price; and e) Recognize revenue when (or as) performance obligations are satisfied. As of the year ended June 30, 2018, the Company has already implemented the five-step process in determining revenue recognition from contracts with customers and has evaluated the impact of ASC 606 and that the application of ASC 606 does not have a material impact on its financial statement and disclosure.

**PORTSMOUTH FINANCIAL SERVICES
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

3. COMMISSIONS RECEIVABLE

As of June 30, 2018, Commissions receivables were as follows:

Pershing (including last 3 days of business)	\$548,515
Insurance and Mutual Fund Companies	33,662
Outside Managed Accounts Advisory Fees	4,010
	<u>\$586,187</u>

4. PROPERTY AND EQUIPMENT

As of June 30, 2018, property and equipment are as follows:

Equipment, furniture and software	156,617
Leasehold improvements	8,500
Less: Accumulated depreciation	<u>(160,190)</u>
	<u>\$ 4,927</u>

Depreciation expense for the year ended June 30, 2018 was \$15,628.

5. INCOME TAXES

As of June 30, 2018, the Company recorded an estimate of \$245,818 in federal and state income tax liabilities.

The provision for the income taxes for the year ended June 30, 2018 are as follow:

	<u>Federal</u>	<u>State</u>
Current Year Income Tax Provision	\$222,274	\$70,877
Deferred Tax Assets	<u>42,319</u>	<u>5,014</u>
	<u>\$179,955</u>	<u>\$65,863</u>

6. RETIREMENT PLAN

The Company has established a 401(k) plan covering all full time employees with over one year of service. The company has not made contributions to the plan as of the year ended June 30, 2018.

**PORTSMOUTH FINANCIAL SERVICES
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

7. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, The Company's Clearing Broker extends credit to the customer, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customer's account. As a result of guaranteeing customer margin balances carried by the Clearing Broker, the Company may be exposed to off-balance sheet risk in the event margin requirements are not sufficient to fully cover losses the customer may incur. At June 30, 2018, margin accounts guaranteed by the Company were not material.

The Company is also exposed to off-balance sheet risk of loss on transactions during the period from the trade date to the settlement date, which is generally three business days. If the customer fails to satisfy its contractual obligations to the Clearing Broker, the Company may have to purchase or sell financial instruments at prevailing market prices in order to fulfill the customer's obligations. Settlement of these transactions is not expected to have a material effect on the Company's financial position.

The Company seeks to control the risks associated with its customers' activities by requiring customers to maintain margin collateral in compliance with various regulatory and the Clearing Broker's guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines requires customers to deposit additional collateral, or to reduce positions, when necessary.

8. COMMITMENTS AND CONTINGENCIES

Commitments

The Company leases its office and equipment under a non cancelable operating lease which expires in 2021. Minimum rental payment for the next three years is:

	<u>250 Montgomery</u>
6/30/2019	212,926
6/30/2020	265,278
6/30/2021	273,236
6/30/2022	<u>45,762</u>
	<u>797,202</u>

Rent expense for the period ending June 30, 2018 was \$239,834, which included a lease for a Santa Rosa office, which was closed at year end.

**PORTSMOUTH FINANCIAL SERVICES
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

8. COMMITMENTS AND CONTINGENCIES(CONTINUED)

Contingencies

The Company is the subject of a complaint filed in the Superior Court of the State of California in June of 2018. The complaint alleges that the Company is liable for intentional and negligent misrepresentation and breach of fiduciary duty in connection with a group insurance plan. Alleged damages include interest, fines, attorney fees and forfeited insurance for a total of \$593,000.

Defendant D'Ercole, who handled the sale of the insurance to plaintiff, is an independent contractor registered with FINRA through the Company. However, his authority as an independent contractor did not include authority to sell the insurance policy on which plaintiffs' claim is based. Rather, in selling such insurance D'Ercole was acting as an independent insurance agent for his self-owned insurance agency, which the company had approved as an outside business activity (as required by FINRA rules). The Company does not believe that any facts exist that would support its being held liable for D'Ercole activities in selling life insurance to plaintiff's while acting as an independent insurance agent.

9. SUBORDINATED BORROWINGS

The Company pursuant to the buyout of the two former shareholders paid off the subordinated borrowings of \$71,140 each during the year ending June 30, 2018. The pay-offs were approved by FINRA.

10. RELATED PARTY TRANSACTIONS

Putney Financial Group (Putney), is a SEC registered RIA, owned by Ray Lent, a member of the board of directors and shareholder of the Company. Putney processes its securities transactions and RIA fees through the Company. The Company does not receive any fees for providing this processing service for Putney; all the fees earned go to Putney.

During the year ended June 30, 2018, the total revenue generated by the related party was \$2,453,334 with total expenses of \$2,326,214, which were recorded on the Company's books and included in the Statement of Operations. At June 30, 2018, there is an amount due of \$475,083 to Putney, which is included in Salaries and Commission Payable on the Statement of Financial Condition.

11. NET CAPITAL REQUIREMENT

The Company's minimum net capital requirement under Rule 15c3-1 of the Securities and Exchange Commission is the greater of 6 2/3% of aggregate indebtedness (\$1,060,974 at June 30, 2018, or \$70,732) or \$50,000. The Company operates pursuant to the (k)(2)(ii) exemption under SEC Rule 15c3-3 and does not hold customer funds or securities. The Company is, therefore, exempt from the reserve formula calculations and possession or control computations. At June 30, 2018, the net capital, as computed, was \$334,573. Consequently, the Company had excess net capital of \$263,841. At June 30, 2018, the percentage of aggregate indebtedness to net capital was approximately 317.11% versus an allowable percentage of 1500%.

**PORTSMOUTH FINANCIAL SERVICES
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

11. NET CAPITAL REQUIREMENT (CONTINUED)

See Schedule I to these footnotes for a reconciliation of audit adjustments, if any, affecting net capital between the unaudited FOCUS report for June 30, 2018 and the audited financial statement filed herewith.

12. SUBSEQUENT EVENTS

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through September 5, 2018, the date the financial statements were available to be issued.