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

SEC FILE NUMBER
8-68083

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 01/01/18 AND ENDING 12/31/18  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **ERNST CAPITAL SECURITIES, LLC**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

**101 SOUTH REID STREET, SUITE 209**

(No. and Street)

**SIoux FALLS**

**SD**

**57103-7062**

(City)

(State)

(Zip Code)

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

**RICK MARTIN**

**605-271-7172**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**HENJES, CONNER & WILLIAMS P.C.**

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

**P.O. BOX 1937**

**DAKOTA DUNES**

**SD**

**57049**

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

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

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (11-05)

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RMS

OATH OR AFFIRMATION

I, RICK MARTIN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ERNST CAPITAL SECURITIES, LLC, as of DECEMBER 31, 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:

N/A

[Handwritten Signature]

Signature

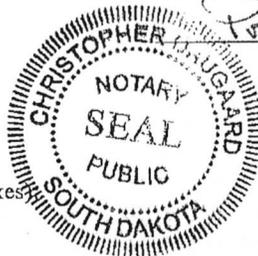
President / CEO

Title

[Handwritten Signature]

Notary Public

My Commission Expires Feb 3, 2022



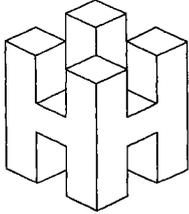
This report \*\* contains (check all applicable boxes)

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
(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).

**Ernst Capital Securities, LLC  
2018 Financial Statements  
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**HENJES, CONNER &  
WILLIAMS, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Managers  
Ernst Capital Securities, LLC  
Sioux Falls, South Dakota

**Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of ERNST CAPITAL SECURITIES, LLC (a South Dakota limited liability company), as of December 31, 2018, and the related statements of income, changes in members' equity, changes in liabilities subordinated to claims of general creditors, and changes in financial position for the year then ended, and the related notes and schedules (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of Ernst Capital Securities, LLC as of December 31, 2018, 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 Ernst Capital Securities, LLC's management. Our responsibility is to express an opinion on Ernst Capital Securities, LLC'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 Ernst Capital Securities, LLC 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.

### **Auditor's Report on Supplemental Information**

The supplemental schedules on pages 11 through 14 have been subjected to audit procedures performed in conjunction with the audit of Ernst Capital Securities, LLC's financial statements. The supplemental information is the responsibility of Ernst Capital Securities, LLC's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

*Denise Conner*  
*Williamo, PC*  
Certified Public Accountants

We have served as Ernst Capital Securities, LLC's auditors since 2014.

Dakota Dunes, South Dakota  
February 12, 2019

Ernst Capital Securities, LLC  
Statement of Financial Condition  
December 31, 2018

ASSETS

Current Assets		
Cash	\$	49,070
Commissions Receivable		20,000
Money Market Account		10,054
CRD Escrow		2,387
Savings Escrow		106
Prepaid Expenses		<u>6,623</u>
Total Current Assets		<u>88,240</u>
Total Assets	\$	<u><u>88,240</u></u>

LIABILITIES AND CAPITAL

Current Liabilities		
Accrued Expenses	\$	4,649
Payroll Tax Liability		<u>1,957</u>
Total Current Liabilities	\$	<u>6,606</u>
Total Liabilities	\$	6,606
Capital		
Members' Equity	\$	<u>81,634</u>
Total Capital	\$	<u>81,634</u>
Total Liabilities & Capital	\$	<u><u>88,240</u></u>

Ernst Capital Securities, LLC  
Statement of Income  
For the Year Ended  
December 31, 2018

Revenues	
Commissions	\$ 832,500
Interest	<u>6</u>
Total Revenues	832,506
Expenses	
Commissions and Fees Expense	72,000
Office Expenses	3,207
Insurance Expense	1,867
Legal and Professional Expense	28,529
Licenses Expense	9,273
Payroll Tax Expense	5,345
Rent or Lease Expense	6,000
Telephone Expense	<u>1,278</u>
Total Expenses	<u>127,499</u>
Net Income	<u>\$ 705,007</u>

The accompanying notes are an integral part of these financial statements.

Ernst Capital Securities, LLC  
Statement of  
Changes in Members' Equity  
For the Year Ended  
December 31, 2018

	<u>Members'</u> <u>Equity</u>
Balance, December 31, 2017	\$ 61,627
Net Income	\$ 705,007
Distributions to Members	<u>\$ (685,000)</u>
Balance, December 31, 2018	<u>\$ 81,634</u>

The accompanying notes are an integral part of these financial statements.

Ernst Capital Securities, LLC  
Statement of Changes in Liabilities Subordinated to Claims of General Creditors  
December 31, 2018

Subordinated Liabilities, December 31, 2017	\$	-
Increases		-
Decreases		-
		<hr/>
Subordinated Liabilities, December 31, 2018	\$	-
		<hr/> <hr/>

Ernst Capital Securities, LLC  
Statement of  
Changes in Financial Position  
For the Year Ended  
December 31, 2018

Cash Flows from operating activities		
Net Income	\$	705,007
Adjustments to reconcile net income to net cash provided by operating activities		
Increase in Commissions Receivable		(20,000)
Increase in Payables		6,564
Increase in Prepaid Expenses		<u>(810)</u>
Total Adjustments		<u>(14,246)</u>
Net Cash provided by Operations		<u>690,761</u>
Cash Flows from financing activities		
Members' Distributions		<u>(685,000)</u>
Net cash used in financing		<u>(685,000)</u>
Net increase in cash & cash equivalents	\$	<u>5,761</u>

Summary		
Cash & cash equivalents at End of Year	\$	61,617
Cash & cash equivalents at Beginning of Year		<u>55,856</u>
Net increase in cash & cash equivalents	\$	<u>5,761</u>

Supplemental Disclosure of Cash Flow Information

Cash paid for interest	\$	-
Cash for paid for income taxes	\$	-

**NOTE A NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Ernst Capital Securities, LLC (Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who are responsible for their integrity and objectivity.

Nature of Activity

Ernst Capital Securities, LLC is a South Dakota limited liability company that operates as a registered broker-dealer and acts as an agent in the sale of real estate interests for a limited liability company in which a Company member is a partner or manager. The Company did change its name from Ernst Capital Group I, Inc. to Ernst Capital Securities, Inc. in 2010. Effective January 1, 2013 the Company converted to a limited liability company from a corporation. It is regulated by the Securities Exchange Commission and is under the jurisdiction of FINRA (Financial Industry Regulatory Authority). FINRA is the largest independent regulator for all securities firms doing business in the United States.

Basis of Accounting

The Company prepares its financial statements on the accrual basis using generally accepted accounting principles.

Revenue Recognition

The Company receives revenue (commissions) from selling interests in limited liability companies that hold real estate used for the production of income. The company also receives revenue from due diligence or compliance and administration of the offering. This revenue is recognized under the contract with the limited liability company at the time the investor (subscription agreement) is accepted by the issuer.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company had no cash equivalents at December 31, 2018.

Advertising

The Company expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place.

Income Taxes

The Company elected to be taxed as a partnership for federal and state income tax purposes. The Company's taxable income or losses, as well as certain other tax attributes, are passed through directly to the Company's members and are reported in each member's individual income tax return. Consequently, these financial statements do not include any provision for federal or state income tax expense.

**NOTE A NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

Income Taxes (Continued)

Certain transactions of the Company may be subject to accounting methods for income tax purposes that differ significantly from the accounting methods used in preparing the financial statements in the accordance with generally accepted accounting principles. Accordingly, the taxable income of the Company reported for income tax purposes may differ from net income in these financial statements.

The Company has adopted the provisions of FASB ASC 740-10, "Accounting for Uncertain Tax Positions". The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Management does not expect the interpretation will have a material impact (if any) on its results from operations or financial position.

No interest or penalties have been accrued for the year ended December 31, 2018. The federal and state income tax returns of the Company for 2017, 2016, and 2015 are subject to examination by the IRS generally for 3 years after they are filed. There is no state income tax in South Dakota.

Compensated Absences

During the year ended December 31, 2018 the Company had two full-time employees. Accrued vacation pay at December 31, 2018 was deemed immaterial and was not accrued.

Subsequent Events

Management has evaluated subsequent events through February 12, 2019 the date the financial statements were available to be issued. There were no subsequent events that required disclosure.

**NOTE B NET CAPITAL REQUIREMENTS**

The Company, as a registered broker-dealer, is subject to the Uniform Net Capital Rule (Rule 15c3-1) of the Securities Exchange Act of 1934. This rule requires the Company to maintain net capital of at least \$5,000 or 6 and 2/3 percent of "aggregated indebtedness", whichever is greater. In addition the Company is not permitted to exceed a ratio of aggregate indebtedness to net capital of 15 to 1, both as defined in the Rule. At December 31, 2018, the Company had net capital of \$72,518 which was \$67,518 in excess of its requirement. The Company's ratio of aggregate indebtedness to net capital was 0.09 to 1, at December 31, 2018.

**NOTE C RELATED PARTY TRANSACTIONS**

The Company's only source of revenue is from the sale of interests in real estate held by limited liability companies (LLCs) and from compliance and administrative work to the same LLCs. These real estate developments are managed and typically owned by family members of a member. The total commission and administrative revenue received from those LLCs was \$832,500.

The Company rents office space from Ernst Capital Group, LLC that is affiliated with a member through common ownership. Total rent due to that entity was \$6,000 during the year ended December 31, 2018. See Note F for future minimum rental commitments.

**NOTE C RELATED PARTY TRANSACTIONS (Continued)**

The company rents computer networking and telecommunication and receives clerical and professional services from Ernst Capital Group, LLC that is affiliated with a member through common ownership. The rental agreement and the clerical and professional services agreements are for one year. Total rent due for networking and telecommunications equipment to that entity was \$1,278 during the year ended December 31, 2018. The amount due for clerical services was \$3,207 during the year ended December 31, 2018. The amount due for professional services was \$28,529 during the year ended December 31, 2018. All amounts have been paid at year-end.

**NOTE D CONCENTRATIONS**

All of revenues were generated from limited liability companies where the same related party had controlling interests for the year ended December 31, 2018. The Company's cash balances are in one financial institution. The Federal Deposit Insurance Corporation insures balances up to \$250,000. At times the balances in the Company's accounts may exceed this limit. The Company is also a member of the Securities Investor Protection Corporation (SIPC), a nonprofit organization that assists investors when a brokerage firm closes due to bankruptcy or other financial difficulties. SIPC works to return customers' cash, stock, and other securities, and other customer property that may be missing from their account. It does not cover individuals who sold worthless stocks and other securities but rather helps customers when stocks and other securities are stolen or put at risk when a brokerage fails for other reasons. Securities in accounts transacted by the Company are protected in accordance with SIPC rules up to \$500,000 including \$250,000 cash.

**NOTE E RESTRICTED CASH**

The CRD – Escrow account contains restricted cash used to pay for new or renewal licensing fees to federal and state agencies. The Savings – Escrow account contains funds used to open an account to hold client funds. The Company does own the account balance.

**NOTE F COMMITMENTS**

The Company leases its facility from a related party as discussed in Note C. The lease agreement is on a year-to-year basis. Future minimum rental commitments under this non-cancelable lease are as follows as of December 31, 2018:

For Year Ending December 31, 2019:	\$6,000
------------------------------------	---------

Ernst Capital Securities, LLC  
 Computation of Aggregate Indebtedness and Net Capital In Accordance with Rule 15c3-1 Under the  
 Securities Exchange Act of 1934

SUPPLEMENTAL SCHEDULE	Schedule 1
Aggregate Indebtedness:	
Total Liabilities	\$ 6,606
Net Capital	
Credit Items	
Membership Equity	\$ 81,634
Deduct Nonallowable assets	<u>\$ 9,116</u>
Net Capital	<u><u>\$ 72,518</u></u>
Capital Requirements	
Minimum Dollar Requirements	\$ 5,000
Net Capital exceeding requirements	\$ 67,518
Net Capital	<u><u>\$ 72,518</u></u>
Percentage of Aggregate Indebtedness to Net Capital	<u><u>9.11%</u></u>

Note: There are no material differences between the preceding computation and the Company's corresponding unaudited Part II Of Form X-17A-5 as of December 31, 2018.

Ernst Capital Securities, LLC  
Reconciliation of Aggregate Indebtedness and Net Capital  
per Audit Report  
to FOCUS Report

SUPPLEMENTAL SCHEDULE	Schedule II
Aggregate Indebtedness from Schedule I	\$ 6,606
Aggregate Indebtedness per FOCUS report	<u>\$ 6,606</u>
Difference	<u><u>\$ -</u></u>
Net Capital from Schedule I	\$ 81,634
Net Capital per FOCUS report	<u>\$ 81,634</u>
Difference	<u><u>\$ -</u></u>

Ernst Capital Securities, LLC  
Information Relating to Possession or Control Requirements

SUPPLEMENTAL SCHEDULE

Schedule III

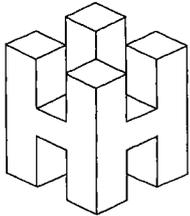
This firm claims exemptions to SEC Rule 15c3-3 pursuant to subparagraph (k)(2)(i).

Ernst Capital Securities, LLC  
Computation of Reserve Requirement

SUPPLEMENTAL SCHEDULE

Schedule IV

This firm claims exemptions to SEC Rule 15c3-3 pursuant to subparagraph (k)(2)(i).



**HENJES, CONNER &  
WILLIAMS, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

801 STEVENS PORT DR  
PO BOX 1937  
DAKOTA DUNES, SD 57049

P: (605) 242-3900  
(800) 274-3931  
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Managers  
of Ernst Capital Securities, LLC

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) Ernst Capital Securities, LLC identified the following provisions of 17 C.F.R. §15c3-3(k) under which Ernst Capital Securities, LLC claimed an exemption from 17 C.F.R. §240.15c3-3(k)(2)(i) Special Account for the Exclusive Benefit of Customers (exemption provisions) and (2) Ernst Capital Securities, LLC stated that Ernst Capital Securities, LLC met the identified exemption provisions throughout the most recent fiscal year without exception. Ernst Capital Securities, LLC'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 Ernst Capital Securities, LLC'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) of Rule 15c3-3 under the Securities Exchange Act of 1934.

*Henjes, Conner &  
Williams, PC*

Certified Public Accountants

Dakota Dunes, South Dakota  
February 12, 2019



101 S. REID STREET, SUITE 209  
SIOUX FALLS, SD 57103

TEL: (605) 271-7172  
FAX: (605) 271-8845

United States Securities and Exchange Commission  
Washington, DC 20549

To whom it may concern,

Ernst Capital Securities, LLC claimed exemption under SEC Rule 15c3-3(k)(2)(i) throughout the fiscal year 2018 ending December 31, 2018. We claimed the above exemption by carrying no margin accounts, promptly transmitting all customer funds, and delivering all securities received in connection with its activities as a broker or dealer, does not otherwise hold funds or securities for, or owe money or securities to, customers and effectuates all financial transactions between the broker or dealer and its customers through one bank account designated as "Special Account for the Exclusive Benefit of Customers of Ernst Capital Securities, LLC.

Ernst Capital Securities, LLC met the SEC Rule 15c3-3(k)(2)(i) exemption throughout fiscal year 2018 ending December 31, 2018 without any exceptions.

I, Richard Martin have conducted sufficient test of the books and records to ascertain and claim the exemption was met in 2018. In all cases reviewed, the processes and procedures required to claim the exemption were followed and documented.

A handwritten signature in black ink, appearing to read 'Richard Martin', is written over a horizontal line.

Richard Martin  
Ernst Capital Securities, LLC  
President and CEO

---

*Securities are offered through Ernst Capital Securities, LLC Member FINRA / SIPC.  
Any statements made herein are not an offer to sell securities. If an offering is made it will be through a  
Private Placement Memorandum which will contain the details of the offering including a discussion of risk factors.  
An investment decision should be made only after a careful review of the Private Placement Memorandum.*