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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III  
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: Northern Securities, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

2633 Hamel Road  
(No. and Street)

Medina, MN 55340  
(City) (State) (Zip Code)

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

Douglas F Otten (952) 451-8231  
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Michael T Remus, CPA  
(Name - if individual, state last, first, middle name)

PO Box 2555, Hamilton Square, NJ 08690  
(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

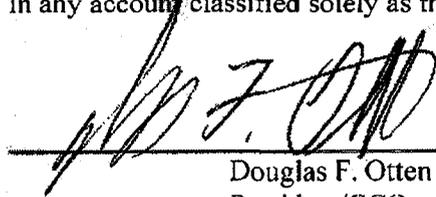
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

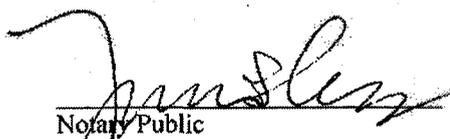
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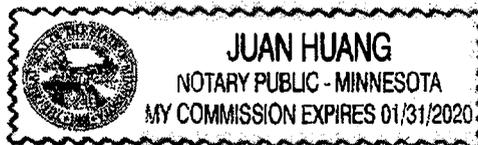
## OATH OR AFFIRMATION

I, Douglas F. Otten, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Northern Securities, Inc, 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:

None

  
\_\_\_\_\_  
Douglas F. Otten  
President/CCO

  
\_\_\_\_\_  
Notary Public 11/19/2019



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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity.
- (f) Statement of Changes in Subordinated Liabilities  
(not applicable)
- (g) Computation of Net Capital  
Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934.
- (h) Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934. (not applicable)
- (i) Information Relating to the Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934 (not applicable).
- (j) A Reconciliation, including Appropriate Explanations, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Rule 15c3-3
- (k) A Reconciliation Between the Audited and Unaudited Consolidated Statements of Financial Condition With Respect to Methods of Consolidation (not applicable).
- (l) An Oath or Affirmation.
- (m) A Copy of the SIPC Supplemental Report.
- (n) Report on management's assertion letter regarding 15c3-3 Exemption Report
- (o) Management's assertion letter regarding 15c3-3 Exemption Report

# **Northern Securities, Inc.**

**Financial Statements and  
Supplementary Information  
Pursuant to Rule 17a-5 under the  
Securities Exchange Act of 1934  
December 31, 2018**

**MICHAEL T. REMUS**  
*Certified Public Accountant*

P.O. Box 2555  
Hamilton Square, NJ 08690  
Tel: 609-540-1751  
Fax: 609-570-5526

Report of Independent Registered Public Accounting Firm

To: The Stockholder  
Northern Securities, Inc.

**Opinion on the Financial Statements**

I have audited the accompanying statement of financial condition of Northern Securities, Inc. as of December 31, 2018, and the related statements of operations, changes in stockholder equity and cash flows for the year then ended, that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934 and the related notes and schedules (collectively referred to as the financial statements). In my opinion, the financial statements present fairly, in all material respects, the financial position of Northern Securities, Inc. as of December 31, 2018 and its results of 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 Northern Securities, Inc.'s management. My responsibility is to express an opinion on Northern Securities, Inc.'s financial statements based on my audit. I am a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and I am required to be independent with respect to Northern Securities, Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

I conducted my audit in accordance with the standards of the PCAOB. Those standards require that I 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. My 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. My 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. I believe that my audit provides a reasonable basis for my opinion.

**Supplemental Information**

The Schedule I, Computation of Net Capital Under SEC Rule 15c3-1 and Schedule II, Computation for Determination of Reserve Requirements and Information Relating to Possession or Control Requirements Under SEC Rule 15c3-3 (*exemption*) has been subjected to audit procedures performed in conjunction with the audit of Northern Securities, Inc.'s financial statements.

The supplemental information is the responsibility of Northern Securities, Inc.'s management. My 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 my opinion on the supplemental information, I evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In my opinion, the Schedule I, Computation of Net Capital Under SEC Rule 15c3-1 and Schedule II, Computation for Determination of Reserve Requirements and Information Relating to Possession or Control Requirements Under SEC Rule 15c3-3 (*exemption*) is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Michael T. Remus*

I have served as Northern Securities, Inc.'s auditor since 2019.

Michael T. Remus, CPA  
Hamilton Square, New Jersey  
March 22, 2019

# Northern Securities, Inc.

## Statement of Financial Condition December 31, 2018

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### Assets

Investments in securities, at fair value (cost \$11,628)	\$ 12,858
Cash and cash equivalents	1,269
Fees receivable	1,293
	<hr/>
Total assets	\$ 15,420
	<hr/> <hr/>

### Liabilities and Stockholder Equity

Liabilities	\$ -
Stockholder Equity	
Common stock (\$1.00 par value; 1,000 shares authorized, 1,000 shares issued and outstanding)	\$ 1,000
Additional paid-in capital	19,684
Retained earnings (deficit)	(5,264)
	<hr/>
Total liabilities and stockholder equity	\$ 15,420
	<hr/> <hr/>

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

# Northern Securities, Inc.

## Statement of Operations Year ended December 31, 2018

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### Revenues

Income from sale of investment company shares	\$	9,129
Fee revenue		6,696
Net unrealized loss from investment		<u>(500)</u>
Total revenues		<u>15,325</u>

### Expenses

Professional fees		1,750
Regulatory fees		2,040
Occupancy		1,217
Medical		5,659
Other		<u>4,405</u>
Total expenses		<u>15,071</u>

Net income	\$	<u>254</u>
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The accompanying notes are an integral part of these financial statements.

# Northern Securities, Inc.

## Statement of Changes in Stockholder Equity Year ended December 31, 2018

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	<u>Common Stock</u>	<u>Common Stock</u>	<u>Paid-in</u>	<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Earnings</u>	<u>Stockholder</u>
				<u>(Deficit)</u>	<u>Equity</u>
<b>Balance, beginning of year</b>	1,000	\$ 1,000	\$ 19,684	\$ (5,518)	\$ 15,166
Net income				254	254
<b>Balance, end of year</b>	<u>1,000</u>	<u>\$ 1,000</u>	<u>\$ 19,684</u>	<u>\$ (5,264)</u>	<u>\$ 15,420</u>

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

# Northern Securities, Inc.

## Statement of Cash Flows Year ended December 31, 2018

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<b>Cash flows from operating activities</b>	
Net income	\$ 254
Adjustments to reconcile net income to net cash provided by operating activities	
Investment in money market mutual fund, at fair value	501
Fees receivable	<u>(82)</u>
Net cash provided by operating activities	673
Net change in cash	673
<b>Cash, beginning of year</b>	<u>596</u>
<b>Cash, end of year</b>	<u>\$ 1,269</u>

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

# Northern Securities, Inc.

## Notes to Financial Statements December 31, 2018

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### 1. Organization and Nature of Business

Northern Securities, Inc. (the "Company") is a licensed broker-dealer registered with the Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority ("FINRA"). The Company, was formed in 1994 under the laws of the State of Minnesota. The Company is engaged in activities with various financial institutions and brokers. In the event these counter parties do not fulfill their obligations, the Company may be exposed to risks.

### 2. Summary of Significant Accounting Policies

#### Basis of Presentation

These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") which require 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 amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

#### Revenue Recognition

Effective January 1, 2018, the Company adopted ASC Topic 606, *Revenue from Contracts with Customers* ("ASC Topic 606"). The new revenue recognition guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires an entity to follow a five-step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved. The Company applied the modified retrospective method of adoption which resulted in no adjustment as of January 1, 2018.

#### Significant judgments:

Revenue from contracts with customers includes commission income and fees from investment banking and asset management services. The recognition and measurement of revenue is based on the assessment of individual contract terms. Significant judgment is required to determine whether performance obligations are satisfied at a point in time or over time; how to allocate transaction prices where multiple performance obligations are identified; when to recognize revenue based on the appropriate measure of the Company's progress under the contract; and whether constraints on variable consideration should be applied due to uncertain future events.

#### Income from sale of investment company shares

The Company buys and sells of investment company shares on behalf of its customers. Each time a customer enters into a buy or sell transaction, the Company charges a commission. Commission income is recorded on the trade date. The Company has determined that the performance obligation is satisfied on the trade date because that is when the underlying financial instrument, and counter parties are identified, the pricing is agreed upon and the risks and rewards of ownership have transferred to/from the customer.

# Northern Securities, Inc.

## Notes to Financial Statements December 31, 2018

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### Fee revenue:

The Company provides exchange services on a subscription basis. The contract between the Asset Manager and the customer automatically renews on the renewal date. Revenue is recognized when the performance obligations are simultaneously provided by the asset manager and consumed by the customer.

### Income Taxes

The Company's earnings are subject to applicable U.S. federal and state taxes. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. In the event it is more likely than not that a deferred tax asset will not be realized, a valuation allowance is recorded.

At December 31, 2018, management has determined that the Company had no uncertain tax positions that would require financial statement recognition. The Company's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Company recognizes interest and penalties related to unrecognized tax benefits in interest expense and other expenses, respectively. No interest expense or penalties have been recognized as of and for the year ended December 31, 2018.

### Fair Value Hierarchy

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2. Inputs other than quoted prices included in Level 1 that are observable for the assets or liability either directly or indirectly.
- Level 3. Inputs are unobservable for the assets or liability.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, the liquidity of markets, and other characteristics particular to the security. To the extent the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more

# Northern Securities, Inc.

## Notes to Financial Statements December 31, 2018

judgment. Accordingly, the degree of judgment exercised in determining the fair value is greatest for instruments categorized in level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2018.

	Quoted prices in active markets for identical assets Level 1	Other significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
<b>Assets</b>				
Investments in securities, at fair value				
Mutual Fund: Putnum High Yield Fund (PHYIX)	12,858	-	-	12,858
<b>Total Assets</b>	<b>\$ 12,858</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,858</b>

### 3. Concentrations and Economic Dependency

The Company maintains its cash in a bank deposit account with one financial institution that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts through December 31, 2018 and believes it is not subject to any significant credit risk. As of December 31, 2018, there were no cash equivalent balances held in any accounts that were not fully insured.

### 4. Regulatory Requirements

The Company is subject to SEC Uniform Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2018, the Company had net capital of \$13,491 which exceeded the required net capital by \$8,491.

The Company does not hold customers' cash or securities and, therefore, has no obligations under SEC Rule 15c3-3 under the Securities Exchange Act of 1934.

### 5. Subsequent events

Management of the Company has evaluated events or transactions that may have occurred since December 31, 2018 and determined that there are no material events that would require disclosure in the Company's financial statements.

**Northern Securities, Inc.**

**December 31, 2018**

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**Supplementary Information**

## Northern Securities, Inc.

### Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Act of 1934 December 31, 2018

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Stockholder's equity	<u>\$ 15,420</u>
Deductions and/or charges	-
Net capital before haircuts on securities positions	15,420
Haircuts on securities	<u>(1,929)</u>
Net capital	13,491
Minimum capital requirement (the greater of \$5,000 or 6-2/3% of aggregate indebtedness)	<u>5,000</u>
Excess net capital	<u>\$ 8,491</u>
Aggregate Indebtedness	<u>\$ -</u>

No material differences exist between the computation of net capital presented above and the computation of net capital reported in the Company's unaudited Form X-17A-5, Part IIA filing as of December 31, 2018.

## **Northern Securities, Inc.**

### **Computation for Determination of Reserve Requirements and Information Relating to Possession or Control Requirements Under Rule 15c3-3 of the Securities and Exchange Act of 1934 December 31, 2018**

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The Company does not hold customers' cash or securities and, therefore, has no obligations under SEC Rule 15c3-3 under the Securities Exchange Act of 1934.

**MICHAEL T. REMUS**  
*Certified Public Accountant*  
P.O. Box 2555  
Hamilton Square, NJ 08690

Tel: 609-540-1751  
Fax: 609-570-5526

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
REGARDING RULE 15c3-3 EXEMPTION REPORT

To: The Stockholder  
**Northern Securities, Inc.**

I have reviewed management's statements, included in the accompanying Rule 15c3-3 Exemption Report, in which (1) Northern Securities, Inc. (the "Company") stated that the Company does not hold customers' cash or securities on behalf of customers and, therefore has no obligations under Rule 15c3-3 under the Securities Exchange Act of 1934. In addition, as a result of the Company's having no obligations under SEC Rule 15c3-3, it may file an Exemption Report and (2) the Company stated that it had no exceptions under SEC Rule 15c3-3 throughout the year ended December 31, 2018. Management is responsible for compliance with 17 C.F.R. § 240.15c3-3 and its statements. My 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 17 C.F.R. § 240.15c3-3. 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, I do not express such an opinion. Based on my review, I am 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 Rule 15c3-3 under the Securities Exchange Act of 1934.

*Michael T. Remus*

Michael T. Remus, CPA  
Hamilton Square, New Jersey  
March 22, 2019

# Northern Securities, Inc.

## Rule 15c3-3 Exemption Report Year Ended December 31, 2018

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Northern Securities, Inc. (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (the "SEC"). To the best of its knowledge and belief, the Company states the following:

The Company does not hold customers' cash or securities on behalf of customers and, therefore has no obligations under SEC Rule 15c3-3 under the Securities Exchange Act of 1934. In addition, as a result of the Company having no obligations under SEC Rule 15c3-3, it may file an Exemption Report.

The Company had no exceptions under SEC Rule 15c3-3 throughout the year ended December 31, 2018

  
\_\_\_\_\_  
Signature  
President Douglas F. Otter  
\_\_\_\_\_  
Title

Securities Investor Protection Corporation  
1667 K Street NW, Ste 1000  
Washington, DC 20006-1620

Forwarding and Address Correction Requested

Check appropriate boxes.

(i) its principal business, in the determination of SIPC, taking into account business of affiliated entities, is conducted outside the United States and its territories and possessions;\*

(ii) its business as a broker-dealer is expected to consist exclusively of:

(I) the distribution of shares of registered open end investment companies or unit investment trusts;

(II) the sale of variable annuities;

(III) the business of insurance;

(IV) the business of rendering investment advisory services to one or more registered investment companies or insurance company separate accounts;

(iii) it is registered pursuant to 15 U.S.C. 78o(b)(11)(A) as a broker-dealer with respect to transactions in securities futures products;

Pursuant to the terms of this form (detailed below).

X \_\_\_\_\_  
Authorized Signature/Title

\_\_\_\_\_ 12/21/18  
Date

SIPC-3 2019

8-

8-47547 FINRA DEC 10/31/1994  
NORTHERN SECURITIES INC  
2633 HAMEL ROAD  
MEDINA, MN 55340

Securities Investor Protection Corporation  
1667 K Street NW, Ste 1000  
Washington, DC 20006-1620

## Form SIPC-3

FY 2019

### Certification of Exclusion From Membership.

TO BE FILED BY A BROKER-DEALER WHO CLAIMS EXCLUSION FROM MEMBERSHIP IN THE SECURITIES INVESTOR PROTECTION CORPORATION ("SIPC") UNDER SECTION 78ccc(a)(2)(A) OF THE SECURITIES INVESTOR PROTECTION ACT OF 1970 ("SIPA").

The above broker-dealer certifies that during the fiscal year ending 12/31/2019 its business as a broker-dealer is expected to consist exclusively of one or more of the following (check appropriate boxes):

- (i) its principal business, in the determination of SIPC, taking into account business of affiliated entities, is conducted outside the United States and its territories and possessions;\*
- (ii) its business as a broker-dealer is expected to consist exclusively of:
- (I) the distribution of shares of registered open end investment companies or unit investment trusts;
- (II) the sale of variable annuities;
- (III) the business of insurance;
- (IV) the business of rendering investment advisory services to one or more registered investment companies or insurance company separate accounts;
- (iii) it is registered pursuant to 15 U.S.C. 78o(b)(11)(A) as a broker-dealer with respect to transactions in securities futures products;

and that, therefore, under section 78ccc(a)(2)(A) of SIPA it is excluded from membership in SIPC.

\*If you have any questions concerning the foreign exclusion provision please contact SIPC via telephone at 202-371-8300 or e-mail at asksipc@sipc.org to request a foreign exclusion questionnaire.

The following bylaw was adopted by the Board of Directors:

#### Interest on Assessments.

... If any broker or dealer has incorrectly filed a claim for exclusion from membership in the Corporation, such broker or dealer shall pay, in addition to all assessments due, interest at the rate of 20% per annum of the unpaid assessment for each day it has not been paid since the date on which it should have been paid.

In the event of any subsequent change in the business of the undersigned broker-dealer that would terminate such broker-dealer's exclusion from membership in SIPC pursuant to section 78ccc(a)(2)(A) of the SIPA, the undersigned broker-dealer will immediately give SIPC written notice thereof and make payment of all assessments thereafter required under section 78ddd(c) of the SIPA.

Sign, date and return this form no later than 30 days after the beginning of the fiscal year, using the enclosed return envelope.

Retain a copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.