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

SEC FILE NUMBER
8-50337

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 07/01/18 AND ENDING 06/30/19  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **COMMONFUND SECURITIES, INC.**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

**15 OLD DANBURY ROAD**

(No. and Street)

**WILTON** **CT** **06897**  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
JONATHAN SPONGBERG 203-563-5052  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**PRICEWATERHOUSECOOPERS, LLP**

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

**300 MADISON AVENUE** **NEW YORK** **10017**  
(Address) (City) (State) (Zip Code)

**SEC Mail Processing**

**AUG 29 2019**

**Washington, DC**

CHECK ONE:

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

<b>FOR OFFICIAL USE ONLY</b>

\*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)

*RMS*

OATH OR AFFIRMATION

I, JONATHAN SPONGBERG, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of COMMONFUND SECURITIES, INC., as of JUNE 30, 2019, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Subscribed and sworn to before me this 27th day of August, 2019.

\_\_\_\_\_  
Signature  
TREASURER  
\_\_\_\_\_  
Title

*Amanda M. Brown*  
\_\_\_\_\_  
Notary Public

**AMANDA M. BROWN**  
**NOTARY PUBLIC OF CONNECTICUT**  
**My Commission Expires 4/30/2021**

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).



# **Commonfund Securities, Inc.**

(A wholly owned subsidiary of The Common Fund for  
Nonprofit Organizations)

**Statement of Financial Condition**

**June 30, 2019**

**Commonfund Securities, Inc.**  
**Index**  
**June 30, 2019**

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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholder of Commonfund Securities, Inc.

### ***Opinion on the Financial Statement – Statement of Financial Condition***

We have audited the accompanying statement of financial condition of Commonfund Securities, Inc. (the "Company") as of June 30, 2019, including the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of June 30, 2019 in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of this financial statement 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 statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe that our audit provides a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

August 27, 2019

We have served as the Company's auditor since 1997.

**Commonfund Securities, Inc.**  
**Statement of Financial Condition**  
**June 30, 2019**

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**Assets**

Cash and cash equivalents (Note 2)	\$	14,873,830
Receivables from affiliated organizations		7,634,371
Prepaid expenses		133,386
Deferred tax asset (Note 2)		44,881
Other assets		28,851
Other receivables		519
Total assets	\$	<u>22,715,838</u>

**Liabilities and Shareholder's Equity**

Compensation payable (Note 7)	\$	3,221,709
Placement Fee Payable		1,117,500
Accounts payable and accrued expenses		574,992
Current tax liability		471,535
Payable to affiliated organizations		86,836
Total liabilities		<u>5,472,572</u>
Commitments and contingencies (Note 6)		
Common stock (\$0.01 par value, 1,000 shares authorized, issued and outstanding)		10
Paid-in-capital		3,555,418
Retained earnings		13,687,838
Total shareholder's equity		<u>17,243,266</u>
Total liabilities and shareholder's equity	\$	<u>22,715,838</u>

The accompanying notes are an integral part of this Statement of Financial Condition.

**Commonfund Securities, Inc.**  
**Notes to Statement of Financial Condition**  
**June 30, 2019**

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**1. Nature of Business**

Commonfund Securities, Inc. (the "Company") is a Delaware stock corporation managed by its Board of Directors. The Company commenced operations on September 2, 1997 for the purpose of providing broker-dealer services to Commonfund Capital, Inc. ("CCI") and Commonfund Realty, Inc., wholly owned subsidiaries of Commonfund Holding Company, Inc., ("HoldCo") a wholly owned subsidiary of The Common Fund for Nonprofit Organizations ("Commonfund"). On July 1, 1999, the ownership of the Company was transferred to HoldCo and the Company expanded its broker-dealer services to Commonfund and its subsidiary Commonfund Asset Management Company ("Comanco"). The Company is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA").

**2. Significant Accounting Policies**

**Basis of Accounting**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. This Statement of Financial Condition is presented in the Company's functional currency, the United States Dollar.

**Placement Fee Payable**

Pursuant to a private placement fee agreement between the Company, CCI and an unaffiliated third party, the Company is subject to pay the unaffiliated third party a monthly retention fee during the fund raising period of certain funds advised by CCI as well as a success fee equal to a percentage of the total committed amount accepted by the general partner of the affiliated funds. CCI will reimburse the Company for all costs incurred. The June 30, 2019 liability incurred under the private placement fee agreement of \$1,117,500 is included as Placement Fee Payable on the Statement of Financial Condition.

**Income Taxes**

The Company's results of operations are included in the Federal consolidated and State combined income tax returns of HoldCo. The Company has a tax sharing agreement with HoldCo, whereby the Company computes its Federal and State income tax liability as if it filed a separate Federal and State income tax return. The Company is then required to reimburse HoldCo payment of such tax. Furthermore, HoldCo has the discretion to use the Company's tax benefits and will reimburse the Company accordingly. Current income taxes or benefits are provided for at the appropriate statutory rate applicable to the Company's earnings.

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740, deferred income taxes are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences"). Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Management assesses the realizability of deferred tax assets and records a valuation allowance if it is more likely than not that all or a portion of the deferred tax assets will not be realized. The deferred tax assets are primarily from compensation awarded, but not paid, for which we determine, in accordance with provisions of ASC 740, Income Taxes, are more likely than not able

**Commonfund Securities, Inc.**  
**Notes to Statement of Financial Condition**  
**June 30, 2019**

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to be realized due to the generation of sufficient taxable income in the future. The probability of future taxable income and historical profitability, among other factors, are considered in assessing the amount of the valuation allowance. ASC 740 provides that a tax benefit from an uncertain position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals for litigation processes based on technical merits of the position. For tax positions meeting the more-likely-than-not threshold, the tax benefit recognized in the consolidated financial statement is the greatest benefit that has a greater than 50% likelihood of being realized upon settlement with the relevant taxing authorities. The Company's policy is to accrue interest and penalties associated with unrecognized tax benefits, if any, in Accounts payable and accrued expenses, in the Statement of Financial Condition.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash, bank deposits and money market mutual funds with original maturities of 90 days or less. Cash is held on deposit with the Company's custodian, Wells Fargo Bank, N.A. Cash equivalents include a money market fund that invests in government agency debt, treasury repurchase agreements and treasury debt.

At June 30, 2019, cash and cash equivalents consisted of:

Demand Deposit	\$	1,158,069
State Street Institutional U.S. Government Money Market Fund		13,715,761
Total	\$	<u>14,873,830</u>

The money market fund offers daily liquidity and is valued at net asset value of \$1.00 per share as reported by the fund. The money market fund is considered a Level 1 investment. Level 1 assets are valued using inputs that reflect unadjusted quoted prices in active markets that the Company has the ability to access at the measurement date.

**Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repair costs are charged to expense as incurred. The major category of fixed assets as of June 30, 2019 is Furniture, Fixtures and Equipment with a cost and accumulated depreciation of \$246,862 and \$246,862, respectively.

**Leases**

Determinable (fixed) operating lease costs are charged to expense on a straight-line basis over the lease term.

**Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, Leases. ASU 2016-02 supersedes existing guidance on lease accounting and requires lessees to recognize a Right-Of Use ("ROU") asset and a lease liability on leases lasting more than one year. The new standard is effective for the Company on July 1, 2019 and the Company has elected the modified retrospective transition approach. Due to the timing of renewing lease contracts, no cumulative adjustment will be recorded to retained earnings.

The Company's implementation efforts include reviewing the terms of existing leases and service contracts, which may include embedded leases. Upon adoption, the Company expects to record

**Commonfund Securities, Inc.**  
**Notes to Statement of Financial Condition**  
**June 30, 2019**

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right-of-use assets and lease liabilities on its statement of Financial Condition of approximately \$1 million.

Management has reviewed ASU 2016-02 for impact on net capital requirements (Note 5) and currently expects to treat capitalized ROU assets as allowable assets to the extent of related operating lease liabilities. Additionally, all lease liabilities will be excluded from the determination of aggregated indebtedness to the extent of the related ROU asset.

**3. Related Parties**

The Company has substantial transactions with Commonfund and its affiliated entities. Substantially all of the Company's revenues and expenses are derived from transactions with Commonfund and its affiliated entities. Commonfund and its affiliated entities provide certain "centralized services" to the Company, such as information technology, human resources administration, and accounting.

As of June 30, 2019, Receivables from and Payables to affiliated organizations are as follows:

	<u>Receivable From</u>	<u>Payable To</u>
Commonfund	\$ -	\$ 86,836
Holdco	6,116,475	-
Comanco	216,992	-
CCI	1,300,904	-
	<u>\$ 7,634,371</u>	<u>\$ 86,836</u>

**4. Net Capital Requirements**

As a registered broker-dealer and member of FINRA, the Company is required to maintain minimum net capital in accordance with the SEC Uniform Net Capital Rule 15c3-1 (the "Rule").

Under the Rule, as a registered broker-dealer, the Company is required to maintain minimum net capital equal to the greater of \$5,000 or 6-2/3% of aggregate indebtedness, as defined, which indebtedness amounted to \$5,472,572 at June 30, 2019. At June 30, 2019, the Company's ratio of aggregate indebtedness to net capital was 0.60 to 1 and net capital was \$9,150,995 which was \$8,786,157 in excess of such required net capital, or \$364,838.

The Company claims exemption from SEC Rule 15c3-3 under Section (k)(2)(i).

**5. Concentrations of Credit Risk**

The Company's cash is held at a major national U.S. bank. The Company's cash balance typically exceeds Federal Deposit Insurance Corporation ("FDIC") insurance coverage. The Company's cash equivalents are invested with a major national investment company and is not covered by FDIC insurance. These factors subject the Company to a concentration of credit risk. The Company regularly monitors the credit ratings of these financial institutions in order to monitor the credit risk that exists with the balances in excess of insured amounts.

**Commonfund Securities, Inc.**  
**Notes to Statement of Financial Condition**  
**June 30, 2019**

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**6. Commitments and Contingencies**

The Company has an office share agreement with Commonfund whereby the Company is charged rent based on headcount at and operating costs of Commonfund's headquarters. The office share agreement allows for termination with 90-days' notice by either party.

Additionally, the Company has an office lease agreement in San Francisco, California. The current term of the lease agreement will expire on June 30, 2022.

The Company's minimum annual lease commitments are as follows:

Fiscal Year	
2020	540,573
2021	438,098
2022	335,908
Total	<u>\$ 1,314,579</u>

The above table includes CSI's share of estimated minimum lease commitments at Commonfund headquarters, using current headcount allocations and through lease term of December 31, 2020.

In the normal course of business, the Company enters into contracts that contain a variety of warranties and indemnifications that provide general indemnifications. 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 experience, the Company expects the risk of loss to be remote.

**7. Incentive Compensation Plans**

Commonfund implemented the Commonfund and Affiliates Incentive Compensation Policy (the "Plan") effective July 1, 2015 to align compensation with operational goals. The Plan is effective for all employees of the Company and replaces all prior incentive compensation plans. Compensation costs under the Plan are recognized during the fiscal year, with payments generally made by the third month following fiscal year end.

The June 30, 2019 liability under the Plan of \$3,221,709 is included as Compensation payable on the Statement of Financial Condition.

**8. Capital Withdrawal**

As sole shareholder, Holdco will on occasion withdraw capital from the Company. During the year ended June 30, 2019, Holdco withdrew a total of \$3.0 million of equity capital. Withdrawals of \$500,000 were made on November 21, 2018, December 31, 2018, February 20, 2019, March 27, 2019, May 24, 2019 and June 26, 2019.

**9. Subsequent Events**

Management has determined that there were no material events that would require adjustment to or disclosure in the Company's financial statement occurring from the date of the Statement of Financial Condition through August 27, 2019, the date this financial statement was available to be issued.