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

SEC FILE NUMBER
8-69141

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 1/1/2019 AND ENDING 12/31/2019
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Lumos Partners, LLC
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY

FIRM I.D. NO.

3620 Happy Valley Road, Suite 101

(No. and Street)

Lafayette CA **94549**
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Eddie Le 415-299-8601
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose option is contained in this Report*

Ernst Wintter & Associates LLP
(Name - if individual, state last, first, middle name)

675 Ygnacio Valley Road, Suite A200, Walnut Creek, CA 94596
(Address) (City) (State) (Zip Code)

SEC
Mail Processing
Section
FEB 19 2020
Washington DC
413

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 (06-02)

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OATH OR AFFIRMATION

I, Eddie Le, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm, as of December 31, 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:

None

Signature

Chief Executive Officer (CEO)



Notary Public

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 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 Requirement 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).

Lumos Partners LLC

December 31, 2019

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Report of Independent Registered Public Accounting Firm

To the Members
Lumos Partners, LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Lumos Partners, LLC (the "Company") as of December 31, 2019, 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 the Company as of December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This 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 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 financial statement. We believe that our audit provides a reasonable basis for our opinion.

Ernst Winter & Associates LLP

We have served as Lumos Partners, LLC's auditor since 2015.
Walnut Creek, California
February 12, 2020

Lumos Partners, LLC

Statement of Financial Condition

December 31, 2019

Assets	
Cash	\$ 417,928
Prepaid expenses and other assets	4,931
Property & equipment, net of \$57,936 accumulated depreciation	388,452
Operating lease right-of-use asset	81,144
Total Assets	\$ 892,455

Liabilities and Members' Equity	
Accounts payable	\$ 5,038
Accrued expenses	29,000
Operating lease liability	85,020
Total Liabilities	119,058
Members' Equity	773,397
Total Liabilities and Members' Equity	\$ 892,455

Lumos Partners, LLC

Notes to the Financial Statement

December 31, 2019

1. Organization

Lumos Partners, LLC (the "Company") was organized as a Delaware limited liability company in April, 2014 and is registered to do business and operate in the state of California. The Company conducts all its business from Lafayette, California. Under this form of organization, the liability of the owners (members) for debts and obligations of the LLC is limited to their financial investment. However, like a limited partnership, profit or losses flow through to its members. The Company is a securities broker dealer registered on December 26, 2014, with the Securities and Exchange Commission and a member of Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC).

The Company engages in mergers and acquisitions and private placement advisory services on a fee basis. Investment banking fees consist of retainers that are paid after letters of engagement are signed for services, as well as success fees upon closing of transactions in which the Company participated.

The Company does not clear securities for customers and as such the Company is exempt from the requirement of Rule 15c3-3 under the Securities Exchange Act of 1934 pertaining to the possession or control of customer assets and reserve requirements.

2. Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all demand deposits held in banks and certain highly liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2019. The Company maintains bank accounts at a financial institution. These accounts are insured by the Federal Deposit Insurance Commission (FDIC), up to \$250,000. At times during the year ended December 31, 2019, cash balances held in financial institutions were in excess of the FDIC insured limits. The Company has not experienced any losses in such accounts and management believes that it has placed its cash on deposit with financial institutions which are financially stable.

Accounts Receivable

Accounts receivable represent amounts earned per agreement that have not been collected. Management reviews accounts receivable and sets up an allowance for doubtful accounts when collection of a receivable becomes unlikely. There were no receivables at December 31, 2019.

Property & Equipment

Property and equipment consist of automobiles that are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method for over the estimated useful life of between five to seven years.

Revenue Recognition

Revenue is measured based on a consideration specified in a contract with a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over goods or service to a customer. Services within the scope of ASC 606 include:

- a. Investment banking Mergers & Acquisitions advisory fees

Refer to Revenue Recognition Note 3: *Revenue from Contracts with Customers* for further discussion on the Company's accounting policies for revenue sources within the scope of ASC 606.

Lumos Partners, LLC

Notes to the Financial Statement

December 31, 2019

2. Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in accordance 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 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 and may have an impact on future periods.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities that represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts. The Company has no assets or liabilities that are required to be recorded at fair value on a recurring basis.

Leases

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on our statement of financial condition. There were no financial leases in 2019.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. We have lease agreements with lease and non-lease components, which are generally accounted for separately.

3. Revenue from Contracts with Customers

Investment Banking, Merger and Acquisition (M&A) Services

The Company provides advisory services/corporate finance activity including mergers and acquisitions, reorganizations, fundraising activity and the pricing of securities to be issued. These services include agreements to provide advisory services to customers for which the Company charges the customers fixed and variable fees that are earned at a point in time when the performance obligation is complete.

The agreement contains nonrefundable fixed retainer fees and/or variable success fees, which may be fixed or represent a percentage of value that the customer receives if and when the corporate finance activity is completed ("success fees"). Sometimes, the retainer fees reduce any success fee subsequently invoiced and received upon the completion of the corporate finance activity. The Company has evaluated its nonrefundable retainer payments, to ensure its fee relates to the transfer of a good or service, as a distinct performance obligation, in exchange for the retainer. If a promised good or service is not distinct, the Company combines that good or service with other promised goods or services until it identifies a bundle of goods or services that is distinct. In some cases, that would result in the Company accounting for all the services promised in a contract as a single performance obligation and the retainer revenue is classified as deferred revenue on the Statement of Financial Condition.

In some circumstances, significant judgment is needed to determine the timing of revenue recognition.

Lumos Partners, LLC

Notes to the Financial Statement

December 31, 2019

3. Revenue from Contracts with Customers (Continued)

Contract Costs

The Company incurs incremental transaction-related costs to obtain and/or fulfill contracts associated with investment banking advisory engagements where the revenue is recognized at a point in time and the costs are determined to be recoverable. There were no capitalized contract costs at December 31, 2019.

Contract Liabilities

Deferred revenue represents retainer fees received prior to completion of a performance obligation that are recognized as revenue when the performance obligation is complete. There was no deferred revenue at December 31, 2019.

4. Income Taxes

The Company, a limited liability company, is taxed as a partnership under the Internal Revenue Code and a similar state statute. In lieu of income taxes, the Company passes 100% of its taxable income and expenses to its members. Therefore, no provision or liability for federal or state income taxes is included in these financial statements. However, the Company is subject to the annual Delaware and California LLC tax and a California LLC fee based on gross revenue.

The Company is required to file income tax returns in both federal and state tax jurisdictions. The Company's tax returns are subject to examination by taxing authorities in the jurisdictions in which it operates in accordance with the normal statutes of limitations in the applicable jurisdiction. For federal purposes, the statute of limitations is three years. The statute of limitations for state purposes is generally three to four years, but may exceed this limitation depending upon the jurisdiction involved. Returns that were filed within the applicable statute remain subject to examination. The Company is subject to federal and state income tax audits for periods subsequent to 2014.

On January 2, 2018, with an effective date of December 31, 2017, the Internal Revenue Service ("IRS") issued final regulations affecting partnerships (and entities taxed as partnerships) that are intended to streamline the tax examination process and allow the IRS to collect any underpayments of tax from the partnership rather than the individual partners. Under the new process, the IRS will examine partnership items in a prior year under examination and any tax adjustments will be taken into account at the partnership level in the current year when the examination is complete. The partnership will pay the tax, interest, and penalties on underpayments using the highest statutory corporate or individual rate, which can be reduced under certain circumstances. The final regulations provide that partnerships can elect out of the new tax examination process if eligible. Management does not believe these changes have an effect on the Company's financial statements as of and for the year ended December 31, 2019.

5. Lease Obligation

Effective January 1, 2019, the Company adopted ASU 2016-02, which amends a number of aspects of lease accounting, which is meant to increase transparency and comparability among companies. Changes include requiring lessees to recognize almost all leases with a term greater than one year as a right-of-use asset and corresponding liability, measured at the present value of the lease payments.

The Company has elected the package of three practical expedients and has applied ASU 2016-02 using the modified retrospective approach with the cumulative effect of initial application recognized as an adjustment to the deferred rent. As a result, there was no beginning balance adjustment to retained earnings for the year ended December 31, 2019.

Lumos Partners, LLC

Notes to the Financial Statement

December 31, 2019

5. Lease Obligation (Continued)

In August 2018, the Company entered into an operating sublease for its office space. The lease commencement date was September 1, 2018 and term is thirty six months. The Company has an option to extend for another 3 years. The extended period was not included in right of use asset and liability as the Company does not expect to extend. The base rent includes annual rent increases. The Company leased a total of 1,237 square feet with a total liability of \$136,243 over the term of lease. On commencement of the lease, the Company recorded a right of use asset and lease liability of \$85,020 using a discount rate of 7%. The discount rate was determined by management of Company based on its view of its associated cost of capital. For the year ended December 31, 2019, the Company paid \$49,472 of cash payment to landlord.

Future lease cash payments due under the lease as of December 31, 2019 were as follows:

	<u>Due to Landlord</u>
2020	\$ 50,829
2021	38,979
Total	<u>\$ 89,808</u>
Lease imputed interest	<u>(4,788)</u>
Operating lease liability	<u>\$ 85,020</u>

6. Related Party Transactions

The Company entered into a consulting agreement with Citiwide, Inc (“Citiwide”) on July 1, 2015. Citiwide is owned by the Company’s Chief Executive Officer. Under this agreement, Citiwide provides consulting services related to assisting with business strategies, marketing, and employment. No amounts were due to Citiwide at December 31, 2019. The Company’s results of operations and financial position could differ from those that would have been obtained if the entities were autonomous.

7. Pension Plan

The Company maintains a Simplified Employee Pension – Individual Retirement Account (SEP-IRA) plan. Under a SEP-IRA an employer is permitted to contribute, for any one employee, twenty-five percent of the employee’s total compensation not to exceed \$56,000 in 2019. During the year, pension plan contributions in the amounts of \$112,000 were contributed and expensed.

8. Member’ Equity

The Company has two types of ownership units, Common Units and Preferred Units.

Common Unit owners have a right to vote in Company matters but no common partners receive distributions unless they also own a preferred interest. Common Unit owners have the right to nominate two members to the Board of Managers who do not have to be a Common Unit owner.

Preferred Unit owners have a right to vote in Company matters and also have the right to distributions from the profits of the Company. In addition, before any distributions are made, Preferred Unit owners have a right to a yearly distribution of Available Cash as defined and determined by the Board of Managers. Preferred Unit owners also have a right to nominate one Preferred Unit owner to the Board of Managers.

There is one member of the Company that owns both Common Units and Preferred Units.

Lumos Partners, LLC

Notes to the Financial Statement

December 31, 2019

9. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission's uniform net capital rule (Rule 15c3-1) which requires the Company to maintain a minimum net capital equal to or greater than \$5,000 and a ratio of aggregate indebtedness to net capital not exceeding 15 to 1, both as defined. At December 31, 2019, the Company's net capital was \$380,013, which exceeded the requirement by \$375,013.

10. Subsequent Events

The Company has evaluated subsequent events through February 12, 2020, the date which the financial statements were issued and there were no additional events that took place that would have a material impact on the financial statements or require disclosure.