



SECI

20004681

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	August 31, 2020
Estimated average burden hours per response.....	12.00

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

SEC FILE NUMBER
8-65997

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 01/01/2019 AND ENDING 12/31/2019
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **COVINGTON ASSOCIATES, LLC**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

99 SUMMER STREET, SUITE 200

(No. and Street)

BOSTON

MA

02110

(City)

(State)

(Zip Code)

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

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

CITRIN COOPERMAN & COMPANY LLP

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

529 FIFTH AVE

NEW YORK

NY

10017

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

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

SEC Mail Processing

FEB 28 2020

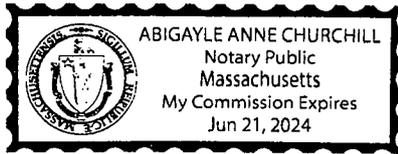
Washington, DC

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)

OATH OR AFFIRMATION

I, IAN BENJAMIN DUNN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of COVINGTON ASSOCIATES, LLC, 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:



Signature
MANAGING DIRECTOR
Title

Notary Public

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...
(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).

COVINGTON ASSOCIATES LLC

**STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2019**

COVINGTON ASSOCIATES LLC

TABLE OF CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	1
Statement of Financial Condition	2
NOTES TO THE STATEMENT OF FINANCIAL CONDITION	3-8



CITRINCOOPERMAN®
Accountants and Advisors

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members and the Managing Member
Covington Associates LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Covington Associates LLC 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 Covington Associates LLC as of December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statement, Covington Associates LLC has changed its method of accounting for leases in 2019 due to the adoption of Financial Accounting Standards Board Accounting Standards Codification Topic 842, *Leases*.

Basis for Opinion

This financial statement is the responsibility of Covington Associates LLC's management. Our responsibility is to express an opinion on Covington Associates LLC'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 Covington Associates 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 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.

We have served as Covington Associates LLC's auditor since 2018.
New York, New York
February 25, 2020

COVINGTON ASSOCIATES LLC
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2019

ASSETS

Cash and cash equivalents	\$ 832,689
Certificate of deposit	150,000
Accounts receivable	29,331
Due from affiliate	440,327
Due from members	40,000
Other assets	55,705
Office furniture and equipment, net of accumulated depreciation of \$588,461	79,641
Right of use assets	1,214,074
	<u>\$ 2,841,767</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities:	
Accounts payable	\$ 26,091
Lease Liabilities	1,296,554
Accrued payroll	19,586
Total Liabilities	<u>1,342,231</u>
Commitments and contingencies (Note 3)	
Members' equity	1,499,536
	<u>\$ 2,841,767</u>

See accompanying notes to financial statements.

COVINGTON ASSOCIATES LLC

NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2019

1. Organization and Nature of Business:

Covington Associates LLC (the "Company") was approved on November 25, 2003 as a broker-dealer with the Securities and Exchange Commission ("SEC") under SEC Rule 15(b) and is a member of the Financial Industry Regulatory Authority, Inc. (FINRA). The Company's revenue is primarily derived from providing investment banking services which includes investment advisory services and participation in private placement offerings. The Company operates under the exemptive provisions of paragraph (k)(2)(i) of rule 15c3-3 of the Securities and Exchange Act of 1934, which provides that the Company carries no margin accounts, promptly transmits all customer funds and delivers 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.

2. Summary of Significant Accounting Policies:

Cash and cash equivalents:

The Company considers certificate of deposit, money market mutual funds and all highly liquid debt instruments with a maturity of ninety days or less, when purchased, to be cash equivalents. The Company places its cash deposits and temporary cash investments with high credit quality financial institutions. At times, the Company's cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limit. At December 31, 2019, all of the Company's cash is held at two financial institutions.

Office furniture and equipment:

Office furniture and equipment are recorded at cost. The Company provides for depreciation on a straight-line basis over the estimated useful lives of the respective assets, which are comprised of the following as of December 31, 2019:

		<u>Estimated Useful Life</u>
Office Equipment	\$ 325,861	5 years
Office Furniture	284,380	3 years
Leasehold Improvements	<u>57,861</u>	Term of lease
	\$ 668,102	
Accumulated Depreciation	<u>\$(588,461)</u>	
	<u>\$ 79,641</u>	

See report of independent registered public accounting firm.

COVINGTON ASSOCIATES LLC

NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2019

2. Summary of Significant Accounting Policies - (continued):

Accounts receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts at December 31, 2019. The allowance for uncollectible amounts reflects the amount of loss that can be reasonably estimated by management. No allowance for doubtful accounts was recorded by the Company at December 31, 2019 as uncollectible amounts were determined to be immaterial.

Use of estimates:

The preparation of the Company's financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

Income taxes:

The Company is organized as a limited liability company. As a result, members are taxed individually on their proportionate share of the Company's earning. The Company's net income or loss is allocated among the members in accordance with the Company's operating agreement. Therefore, the financial statement does not reflect a provision for income taxes.

The Company recognizes and measures its unrecognized tax positions in accordance with FASB Accounting Standards Codification 740, *Income Taxes*. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax positions is adjusted when new information is available, or when an event occurs that requires a change. Interest and penalties associated with unrecognized income tax positions, if identified, are classified as additional income tax expense in the statement of income.

The Company has assessed its current tax year positions and believes there are no uncertain tax positions as of December 31, 2019.

See report of independent registered public accounting firm.

COVINGTON ASSOCIATES LLC

NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2019

2. Summary of Significant Accounting Policies - (continued):

Right of Use Assets and Lease Liabilities:

Effective January 1, 2019, the Company adopted ASC Topic 842, Leases (“ASC 842”). The new guidance increases transparency by requiring the recognition of right to use assets and lease liabilities on the statement of financial condition. The recognition of these lease assets and lease liabilities represents a change from previous US GAAP requirement, which did not require lease assets and lease liabilities to be recognized for most operating leases.

On January 1, 2019, the effective date of ASC 842, existing leases of the Company were required to be recognized and measured. Additionally, any leases entered into during the year were also required to be recognized and measured. In applying ASC 842, the Company made an accounting policy election not to recognize the right of use assets and lease liabilities relating to short term leases. Implementation of ASC 842 included an analysis of contracts, including real estate leases and service contracts to identify embedded leases, to determine the initial recognition of the right to use assets and lease liabilities, which required subjective assessment over the determination of the associated discount rates to apply in determining the lease liabilities.

The company has used the modified retrospective method of adopting the new guidance. The adoption of ASC 842 resulted in the recording of operating lease right of use assets of approximately \$1,499,179 and operating lease liabilities of approximately \$1,584,507 at January 1, 2019. The Company has the option to extend the term of the lease for one five-year period. During the year ended December 31, 2019 additional leases were entered into with additional right of use assets and lease liabilities of approximately \$40,348.

COVINGTON ASSOCIATES LLC

NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2019

2. Summary of Significant Accounting Policies - (continued):

Right of Use Assets Lease Liabilities - (continued):

The Company determines if an arrangement is or contains a lease at inception. The Company's operating lease arrangements are comprised of real estate and facility leases. Right of use assets represent the Company's right to use the underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right of use assets and lease liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term. As the Company's leases do not provide an implicit rate and the implicit rate is not readily determinable, the Company estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of the lease payments. The present value of the lease payments was determined using a 3.0% incremental borrowing rate.

Subsequent events:

Management has evaluated subsequent events through the date the financial statements were issued. There are no subsequent events that required recognition or disclosure.

3. Commitments and Contingencies:

Leases:

The Company has entered into a lease for its office in Boston, MA. The Company records the expenses to occupy its office on a straight line basis over the lease term and are included in occupancy in the accompanying statement of operations.

See report of independent registered public accounting firm.

COVINGTON ASSOCIATES LLC

NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2019

3. Commitments and Contingencies – (continued):

As of December 31, 2019, maturities of the outstanding lease liabilities for the Company were approximately as follows:

<u>Years Ending December 31,</u>	<u>Lease Payments</u>
2020	\$342,823
2021	349,933
2022	357,041
2023	364,150
2024	<u>2,900</u>
Total lease payments	1,416,847
Discount	<u>(120,293)</u>
Lease Liabilities	<u>\$1,296,554</u>

Other information related to leases as of December 31, 2019:

Weighted average remaining lease term: 4.01 years.

Weighted average discount rate: 3.0%

Legal Matters:

The Company may be subject to claims and litigation in the normal course of business. The Company is not aware of any pending or threatened litigation, claims or unasserted claims that would have a material adverse effect on the Company's financial statement.

4. Employee Benefits:

The Company sponsors a 401(k) Plan. The 401(k) Plan entitles all full-time employees who meet age and service eligibility requirements to make voluntary contributions to the Plan. Contributions cannot exceed the maximum amount under applicable provisions of the Internal Revenue Code. The Company, at its discretion, may contribute to the Plan.

See report of independent registered public accounting firm.

COVINGTON ASSOCIATES LLC

NOTES TO THE STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2019

5. Net Capital Requirement:

The Company is a registered broker-dealer and, accordingly, is subject to the Uniform Net Capital Rule under the Securities Exchange Act of 1934 (SEA Rule 15c3-1), which requires the maintenance of minimum net capital equal to the greater of \$5,000 or 6 2/3% of aggregate indebtedness, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2019, the Company had net capital of \$704,532 which was \$695,988 in excess of its required net capital of \$8,544. The Company's ratio of aggregate indebtedness to net capital at December 31, 2019 was 0.18 to 1.

6. Major Customers:

During the year ended December 31, 2019, the Company derived 64% of its gross revenues from two customers. There were no accounts receivable from these customers as of December 31, 2019.

7. Related Party Transactions:

In 2018, the Company entered into an expense sharing agreement with a related entity. This agreement consists of occupancy, telephone, office, payroll and related expenses. The Company pays these expenses on behalf of the related entity and the related entity reimburses the Company. During 2019, \$933,547 of expenses were allocated to the related entity. At December 31, 2019, the related entity owed \$440,327 to the Company as a result of these expense allocations.

Due from related party represents amounts to be reimbursed by certain members for 401(k) contributions made by the Company on their behalf. As of December 31, 2019 these reimbursements amounted to \$40,000.

See report of independent registered public accounting firm.