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

FEB 20 2020

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| SEC FILE NUMBER |
| 8-40219 |

FACING PAGE

Washington DC
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 01/01/19 AND ENDING 12/31/19
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Lee Financial Securities, Inc.

| |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM I.D. NO. |

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

3113 Olu St

(No. and Street)

Honolulu

HI

96816

(City)

(State)

(Zip Code)

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

Nora Foley

(808) 988-8088

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Tait, Weller & Baker LLP

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

Two Liberty Place, 50 South 16th Street, Suite 2900

Philadelphia

PA

19102-2529

(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)

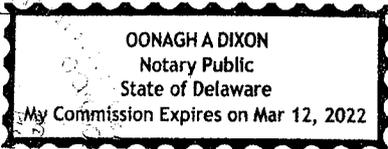
SEC 1410 (06-02)

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K.D.

OATH OR AFFIRMATION

I, Nora B. Foley, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Lee Financial Securities, Inc., 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:



Nora B. Foley
Signature
Chief Financial Officer
Title

Oonagh A. Dixon
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 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).

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Board of Directors and Stockholder
Lee Financial Securities, Inc.
Honolulu, Hawaii**

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Lee Financial Securities, Inc. as of December 31, 2019, the related statements of income (loss), changes in ownership equity, and cash flows for the year then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of Lee Financial Securities, Inc. as of December 31, 2019, 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 Lee Financial Securities, Inc.'s management. Our responsibility is to express an opinion on Lee Financial Securities, Inc.'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 Lee Financial 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. We have served as Lee Financial Securities, Inc.'s auditor since 1988.

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 information on pages 3, 4, 6, and 7 has been subjected to audit procedures performed in conjunction with the audit of Lee Financial Securities Inc.'s financial statements. The supplemental information is the responsibility of Lee Financial Securities, Inc.'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 information on pages 3, 4, 6, and 7 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Tait, Weller & Baker LLP

TAIT, WELLER & BAKER LLP

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER Lee Financial Securities, Inc.

N3

100

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY) 12/31/19

SEC FILE NO. 8-40219

| | |
|----------------|-----|
| | 99 |
| | 98 |
| Consolidated | 198 |
| Unconsolidated | 199 |

| | Allowable | Non-Allowable | Total |
|--|---------------|---------------|---------------|
| 1. Cash | \$ 43,427 200 | | \$ 43,427 750 |
| 2. Receivables from brokers or dealers: | | | |
| A. Clearance account | 295 | | |
| B. Other | 300 | 550 | 810 |
| 3. Receivable from non-customers | 355 | 20,506 600 | 20,506 830 |
| 4. Securities and spot commodities owned at market value: | | | |
| A. Exempted securities | 418 | | |
| B. Debt securities | 419 | | |
| C. Options | 420 | | |
| D. Other securities | 424 | | |
| E. Spot commodities | 430 | | 850 |
| 5. Securities and/or other investments not readily marketable: | | | |
| A. At cost $\frac{1}{2}$ \$ | 130 | | |
| B. At estimated fair value | 440 | 610 | 860 |
| 6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value: | | | |
| A. Exempted securities \$ | 150 | | |
| B. Other securities \$ | 160 | | |
| 7. Secured demand notes: | 470 | 640 | 890 |
| Market value of collateral: | | | |
| A. Exempted securities \$ | 170 | | |
| B. Other securities \$ | 180 | | |
| 8. Memberships in exchanges: | | | |
| A. Owned, at market \$ | 190 | | |
| B. Owned, at cost | | 650 | |
| C. Contributed for use of the company, at market value | | 660 | 900 |
| 9. Investment in and receivables from affiliates, subsidiaries and associated partnerships | 480 | 670 | 910 |
| 10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization | 490 | 680 | 920 |
| 11. Other assets | 535 | 733 735 | 733 930 |
| 12. TOTAL ASSETS | \$ 43,427 540 | \$ 21,239 740 | \$ 64,666 940 |

OMIT PENNIES

See Notes to Financial Statements.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER **Lee Financial Securities, Inc.**

as of 12/31/19

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

LIABILITIES AND OWNERSHIP EQUITY

| Liabilities | A.I. Liabilities | Non-A.I. Liabilities | Total |
|--|---------------------|-------------------------|--------------------|
| 13. Bank loans payable | \$ 1045 | \$ 1255 ¹³ | \$ 1470 |
| 14. Payable to brokers or dealers: | | | |
| A. Clearance account | 1114 | 1315 | 1560 |
| B. Other | 1115 ¹⁰ | 1305 | 1540 |
| 15. Payable to non-customers | 1155 | 1355 | 1610 |
| 16. Securities sold not yet purchased, at market value | | 1360 | 1620 |
| 17. Accounts payable, accrued liabilities, expenses and other | 20,697 1205 | 1385 | 20,697 1685 |
| 18. Notes and mortgages payable: | | | |
| A. Unsecured | 1210 | | 1690 |
| B. Secured | 1211 ¹² | 1390 ¹⁴ | 1700 |
| 19. E. Liabilities subordinated to claims of general creditors: | | | |
| A. Cash borrowings: | | 1400 | 1710 |
| 1. from outsiders ⁹ \$ 970 | | | |
| 2. includes equity subordination (15c3-1(d)) of ... \$ 980 | | | |
| B. Securities borrowings, at market value from outsiders \$ 990 | | 1410 | 1720 |
| C. Pursuant to secured demand note collateral agreements | | 1420 | 1730 |
| 1. from outsiders \$ 1000 | | | |
| 2. includes equity subordination (15c3-1(d)) of ... \$ 1010 | | | |
| D. Exchange memberships contributed for use of company, at market value | | 1430 | 1740 |
| E. Accounts and other borrowings not qualified for net capital purposes | 1220 | 1440 | 1750 |
| 20. TOTAL LIABILITIES | \$ 20,697 1230 | \$ 1450 | \$ 20,697 1760 |
| Ownership Equity | | | |
| 21. Sole Proprietorship | | | 1770 ¹⁵ |
| 22. Partnership (limited partners) | 1020 ¹¹ | | 1780 |
| 23. Corporation: | | | |
| A. Preferred stock | | | 1791 |
| B. Common stock | | | 2,500 1792 |
| C. Additional paid-in capital | | | 970,692 1793 |
| D. Retained earnings | | | (929,223) 1794 |
| E. Total | | | 43,969 1795 |
| F. Less capital stock in treasury | | | 1796 ¹⁶ |
| 24. TOTAL OWNERSHIP EQUITY | | | \$ 43,969 1800 |
| 25. TOTAL LIABILITIES AND OWNERSHIP EQUITY | | | \$ 64,666 1810 |

OMIT PENNIES

See Notes to Financial Statements.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER Lee Financial Securities, Inc.

as of 12/31/19

COMPUTATION OF NET CAPITAL

| | | | |
|--|-------|-----------|------|
| 1. Total ownership equity from Statement of Financial Condition | \$ | 43,969 | 3480 |
| 2. Deduct ownership equity not allowable for Net Capital | | | 3490 |
| 3. Total ownership equity qualified for Net Capital | | 43,969 | 3500 |
| 4. Add: | | | |
| A. Liabilities subordinated to claims of general creditors allowable in computation of net capital | | | 3520 |
| B. Other (deductions) or allowable credits (List) | | | 3525 |
| 5. Total capital and allowable subordinated liabilities | \$ | 43,969 | 3530 |
| 6. Deductions and/or charges: | | | |
| A. Total non-allowable assets from | | | |
| Statement of Financial Condition (Notes B and C) | 17 \$ | 21,239 | 3540 |
| B. Secured demand note delinquency | | | 3590 |
| C. Commodity futures contracts and spot commodities – proprietary capital charges | | | 3600 |
| D. Other deductions and/or charges | | | 3610 |
| 7. Other additions and/or allowable credits (List) | | (21,239) | 3620 |
| 8. Net capital before haircuts on securities positions | 20 \$ | 22,730 | 3640 |
| 9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)): | | | |
| A. Contractual securities commitments | \$ | | 3660 |
| B. Subordinated securities borrowings | | | 3670 |
| C. Trading and investment securities: | | | |
| 1. Exempted securities | 18 \$ | | 3735 |
| 2. Debt securities | | | 3733 |
| 3. Options | | | 3730 |
| 4. Other securities | | | 3734 |
| D. Undue Concentration | | | 3650 |
| E. Other (List) | | | 3736 |
| 10. Net Capital | \$ | 22,730 | 3750 |

OMIT PENNIES

The net capital reported in the Company's
unaudited FOCUS report agrees with the
audited Net Capital reported above.

See Notes to Financial Statements.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER **Lee Financial Securities, Inc.**

as of 12/31/19

COMPUTATION OF NET CAPITAL REQUIREMENT

Part A

| | | | |
|---|-------|--------|------|
| 11. Minimum net capital required (6 $\frac{2}{3}$ % of line 19) | \$ | 1,380 | 3756 |
| 12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | \$ | 5,000 | 3758 |
| 13. Net capital requirement (greater of line 11 or 12) | \$ | 5,000 | 3760 |
| 14. Excess net capital (line 10 less 13) | \$ | 17,730 | 3770 |
| 15. Excess net capital at 1000% (line 10 less 10% of line 19) | 22 \$ | 16,730 | 3780 |

COMPUTATION OF AGGREGATE INDEBTEDNESS

| | | | |
|--|-------|--------|------|
| 16. Total A.I. liabilities from Statement of Financial Condition | \$ | 20,897 | 3790 |
| 17. Add: | | | |
| A. Drafts for immediate credit | 21 \$ | 3800 | |
| B. Market value of securities borrowed for which no equivalent value is paid or credited | \$ | 3810 | 3810 |
| C. Other unrecorded amounts (List) | \$ | 3820 | 3830 |
| 18. Total aggregate indebtedness | \$ | 20,897 | 3840 |
| 19. Percentage of aggregate indebtedness to net capital (line 18 ÷ by line 10) | % | 91.06% | 3850 |
| 20. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) | % | 0.00 | 3860 |

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

| | | | |
|--|-------|------|------|
| 21. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits | \$ | 3970 | 3970 |
| 22. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | 23 \$ | 3880 | 3880 |
| 23. Net capital requirement (greater of line 21 or 22) | \$ | 3760 | 3760 |
| 24. Excess capital (line 10 less 23) | \$ | 3910 | 3910 |
| 25. Net capital in excess of the greater of: | | | |
| A. 5% of combined aggregate debit items or \$120,000 | \$ | 3920 | 3920 |

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6 $\frac{2}{3}$ % of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

See Notes to Financial Statements.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER Lee Financial Securities, Inc.

For the period (MMDDYY) from 01/01/19 3932 to 12/31/19 3933
 Number of months included in this statement 12 3931

STATEMENT OF INCOME (LOSS)

REVENUE

| | | | |
|---|----|---------|------|
| 1. Commissions: | | | |
| a. Commissions on transactions in exchange listed equity securities executed on an exchange | \$ | 3935 | |
| b. Commissions on listed option transactions | 25 | 3938 | |
| c. All other securities commissions | | 3939 | |
| d. Total securities commissions | | 3940 | |
| 2. Gains or losses on firm securities trading accounts | | | |
| a. From market making in options on a national securities exchange | | 3945 | |
| b. From all other trading | | 3949 | |
| c. Total gain (loss) | | 3950 | |
| 3. Gains or losses on firm securities investment accounts | | 3952 | |
| 4. Profit (loss) from underwriting and selling groups | 26 | 3955 | |
| 5. Revenue from sale of investment company shares | | 238,046 | 3970 |
| 6. Commodities revenue | | 3990 | |
| 7. Fees for account supervision, investment advisory and administrative services | | 3975 | |
| 8. Other revenue | | 3995 | |
| 9. Total revenue | \$ | 238,046 | 4030 |

EXPENSES

| | | | |
|--|----|---------|------|
| 10. Salaries and other employment costs for general partners and voting stockholder officers | | | |
| 11. Other employee compensation and benefits | | 221,039 | 4115 |
| 12. Commissions paid to other broker-dealers | | | 4140 |
| 13. Interest expense | | | 4075 |
| a. Includes interest on accounts subject to subordination agreements | | 4070 | |
| 14. Regulatory fees and expenses | | 6,879 | 4195 |
| 15. Other expenses | | 66,246 | 4100 |
| 16. Total expenses | \$ | 294,164 | 4200 |

NET INCOME

| | | | |
|---|----|----------|------|
| 17. Income (loss) before Federal income taxes and items below (Item 9 less Item 16) | | | |
| 18. Provision for Federal income taxes (for parent only) | 28 | (58,118) | 4210 |
| 19. Equity in earnings (losses) of unconsolidated subsidiaries not included above | | | 4220 |
| a. After Federal income taxes of | | 4338 | |
| 20. Extraordinary gains (losses) | | | 4224 |
| a. After Federal income taxes of | | 4239 | |
| 21. Cumulative effect of changes in accounting principles | | | 4225 |
| 22. Net income (loss) after Federal income taxes and extraordinary items | \$ | (58,118) | 4230 |

MONTHLY INCOME

| | | | |
|---|----|------|--|
| 23. Income (current month only) before provision for Federal income taxes and extraordinary items | | | |
| | \$ | 4211 | |

See Notes to Financial Statements.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER **Lee Financial Securities, Inc.**

For the period (MMDDYY) from 01/01/19 to 12/31/19

STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

| | | | |
|---|----|----------|--------------------|
| 1. Balance, beginning of period | \$ | 65,087 | 4240 |
| A. Net income (loss) | | (56,118) | 4250 |
| B. Additions (Includes non-conforming capital of | \$ | 35,000 | 4260 |
| C. Deductions (Includes non-conforming capital of | \$ | 4272 | 4270 |
| 2. Balance, end of period (From item 1800) | | \$ | 43,969 4290 |

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

| | | | |
|--|----|------|-------------|
| 3. Balance, beginning of period | \$ | 4300 | 4300 |
| A. Increases | | | 4310 |
| B. Decreases | | | 4320 |
| 4. Balance, end of period (From item 3520) | | \$ | 4330 |

OMIT PENNIES

See Notes to Financial Statements.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **Lee Financial Securities, Inc.**

as of 12/31/19

EXEMPTIVE PROVISION UNDER RULE 15c3-3

24. If an exemption from Rule 15c3-1 is claimed, identify below the section upon which such exemption is based (check one only)

- | | | |
|--|-------------------------------------|------|
| A. (k)(1) — \$2,500 capital category as per Rule 15c3-1 | <input checked="" type="checkbox"/> | 4550 |
| B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained | <input type="checkbox"/> | 4560 |
| C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis. | | |
| Name of clearing firm ³⁰ | 4335 | 4570 |
| D. (k)(3) — Exempted by order of the Commission (include copy of letter) | <input type="checkbox"/> | 4580 |

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

| | Type of Proposed Withdrawal or Accrual (See below for code) | Name of Lender or Contributor | Insider or Outsider? (In or Out) | Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities) | (MMDDYY) Withdrawal or Maturity Date | Expect to Renew (Yes or No) |
|------------------------|---|-------------------------------|----------------------------------|---|--------------------------------------|-----------------------------|
| 31 | 4600 | 4601 | 4602 | 4603 | 4604 | 4605 |
| 32 | 4610 | 4611 | 4612 | 4613 | 4614 | 4615 |
| 33 | 4620 | 4621 | 4622 | 4623 | 4624 | 4625 |
| 34 | 4630 | 4631 | 4632 | 4633 | 4634 | 4635 |
| 35 | 4640 | 4641 | 4642 | 4643 | 4644 | 4645 |
| Total \$ ³⁶ | | | | 4699 | | |

OMIT PENNIES

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

| WITHDRAWAL CODE: | DESCRIPTIONS |
|------------------|--------------------------|
| 1. | Equity Capital |
| 2. | Subordinated Liabilities |
| 3. | Accruals |

See Notes to Financial Statements.

LEE FINANCIAL SECURITIES, INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2019

INCREASE (DECREASE) IN CASH

Cash flows from operating activities

| | |
|---------------------------------------|------------------|
| Commissions and other fees received | \$ 238,208 |
| Salaries and other expenses paid | <u>(295,698)</u> |
| Net cash used in operating activities | <u>(57,490)</u> |

Cash flows from financing activities

| | |
|---|---------------|
| Capital Contributions | \$ 35,000 |
| Net cash provided by financing activities | <u>35,000</u> |

Net decrease in cash (22,490)

Cash

| | |
|-------------------|------------------|
| Beginning of year | <u>65,917</u> |
| End of year | <u>\$ 43,427</u> |

**RECONCILIATION OF NET LOSS TO NET CASH
USED IN OPERATING ACTIVITIES**

| | |
|--|--------------------|
| <i>Net loss</i> | \$ (56,118) |
| Decrease in accounts receivable | 163 |
| Decrease in accounts payable | (1,600) |
| Decrease in other assets | <u>65</u> |
| <i>Net cash used in operating activities</i> | <u>\$ (57,490)</u> |

LEE FINANCIAL SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ORGANIZATION

Lee Financial Securities, Inc. (the “*Company*”), a Hawaii Corporation, was formed on May 13, 1988, and is a wholly-owned subsidiary of Lee Financial Group Hawaii, Inc., an investment management services organization. The Company is registered as a general securities broker-dealer with the Securities and Exchange Commission.

The Company has a distribution agreement with Lee Financial Mutual Fund, Inc. (the “*Fund*”), a non-diversified, open-end, management investment company. Pursuant to Rule 12b-1 of the Investment Company Act of 1940, a distribution plan adopted by the Fund reimburses the Company for certain expenses incurred in distributing the Fund’s shares.

INCOME TAXES

The Company is included in the consolidated federal and state income tax returns of its parent. Income taxes are provided for on a separate return basis only to the extent that income tax expense (credit) is incurred by the consolidated group. Although income tax expense was incurred by the consolidated group for the year ended December 31, 2019, no provision was allocated, due to the net loss incurred by the Company for the year.

Management has analyzed the Company’s tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on federal, state and local income tax returns for open years (2016 – 2018) or expected to be taken on the Company’s 2019 tax return.

USE OF ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the reported period. Actual results could differ from those estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, receivables, and accrued expenses approximate fair value because of the short maturity of these items.

REVENUE RECOGNITION

Customers’ securities transactions are reported on a settlement date basis with related income and expenses reported on a trade date basis. On January 1, 2018, the Company adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, “ASC 606”), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. The Company has evaluated the ASC 606 guidance and determined that the adoption did not have a material impact on the Company’s financial statements.

LEE FINANCIAL SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS – (Concluded)

December 31, 2019

SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were issued have been evaluated in the preparation of the financial statements. Based on that evaluation, Management has determined that no subsequent events have occurred which would require disclosure in the financial statements.

(2) REGULATORY REQUIREMENTS

The Company is exempt from the provisions of Rule 15c3-3 of the Securities Exchange Act of 1934 (reserve requirement for brokers and dealers) in that the Company does not hold funds or securities for customers and it promptly transmits all funds and delivers all securities in connection with its activities as a broker or dealer.

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined, equal to the greater of \$5,000 or 6-2/3% of aggregate indebtedness. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2019 the Company had net capital of \$22,730, and net capital requirements of \$5,000. The percentage of aggregate indebtedness to net capital was 91.06%.

(3) RELATED PARTIES

One of the Company's directors serves on the Board of Directors of Lee Financial Mutual Fund, Inc. from which the Company receives its revenue.

(4) REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company enters into arrangements with the Fund to distribute shares to investors. The Company receives distribution fees paid by the Fund. The Company believes that its performance obligation is the sale of securities to investors and as such this is fulfilled on the trade date. Distribution fees recognized in the current period are primarily related to performance obligations that have been satisfied in prior periods. For the fiscal year ended 2019, the Company received distribution fee revenue of \$238,046 which represents all the revenue for this fiscal year.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Board of Directors and Stockholder
Lee Financial Securities, Inc.
Honolulu, Hawaii**

We have reviewed management's statements, included in the accompanying Lee Financial Securities, Inc.'s Exemption Report, in which (1) Lee Financial Securities, Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which Lee Financial Securities, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3:(k)(1) (the "exemption provisions") and (2) Lee Financial Securities, Inc. stated that Lee Financial Securities, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception. Lee Financial Securities, Inc.'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 Lee Financial Securities, Inc.'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)(1) of Rule 15c3-3 under the Securities Exchange Act of 1934.



TAIT, WELLER & BAKER LLP

**Philadelphia, Pennsylvania
February 26, 2020**

Lee Financial Securities, Inc.
Exemption Report

Lee Financial Securities, Inc. (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240 17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. §240 17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

- (1) The Company claimed an exemption from 17 C.F.R. §240 15c-3-3 under the provisions of 17 C.F.R. §240 15c3-3(k)(1); and
- (2) The Company met the identified exemption provisions in 17 C.F.R. §240 15c3-3(k) throughout the most recent fiscal year without exception.

Lee Financial Securities, Inc.

I, Nora B. Foley, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.

By: Nora B. Foley

Title: Chief Financial Officer

Date: February 26, 2020
