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

SEC FILE NUMBER
8-14148

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

SEC Mail Processing  
FEB 28 2020  
Washington, DC

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: **Sunset Financial Services, Inc**

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
**3520 Broadway**

(No. and Street)

**Kansas City**

**Missouri**

**64111**

(City)

(State)

(Zip Code)

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

Kelly T. Ullom

**816-753-7000**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**BKD, LLP**

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

**1201 Walnut Street, Suite 1700 Kansas City**

**Missouri**

**64106**

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

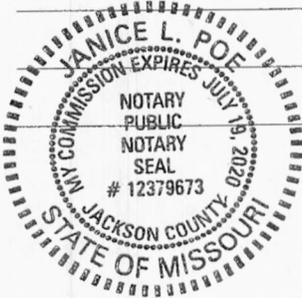
- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

<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)*

OATH OR AFFIRMATION

I, Kelly T. Ullom, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Sunset Financial Services, Inc, as of February 21, 2020, 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:



Janice L. Poe
Notary Public

Kelly T. Ullom
Signature
President
Title

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).

***Sunset Financial Services, Inc.***

Financial Statements  
and  
Supplemental Schedules

**December 31, 2019**



**KANSAS CITY LIFE  
INSURANCE COMPANY**

*Since 1895*

***Sunset Financial Services, Inc.***

Financial Statements  
and  
Supplemental Schedules

**December 31, 2019**

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**SUNSET FINANCIAL SERVICES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2019**

(amounts in thousands, except share data)

**ASSETS**

Cash and cash equivalents	\$ 772
Accounts receivable	60
Other assets	24
Total assets	<u>\$ 856</u>

**LIABILITIES**

Due to affiliated entities	\$ 71
Accounts payable and other liabilities	17
Total liabilities	<u>88</u>

**STOCKHOLDER'S EQUITY**

Common stock, par value \$10 per share; authorized, 50,000 shares; issued and outstanding 5,000 shares	50
Additional paid in capital	1,500
Retained deficit	<u>(782)</u>
Total stockholder's equity	<u>768</u>
Total liabilities and stockholder's equity	<u>\$ 856</u>

*See accompanying Notes to Financial Statements.*

**SUNSET FINANCIAL SERVICES, INC.**  
**STATEMENT OF OPERATIONS**  
**Year ended December 31, 2019**  
(amounts in thousands)

<b>REVENUES</b>	
Override revenue	\$ 1,183
Proprietary revenue	114
Asset management fee	99
Investment income and other	35
Total revenues	<u>1,431</u>
<b>EXPENSES</b>	
Administrative fees	1,225
Legal expenses	245
Other operating expenses	47
Total expenses	<u>1,517</u>
Loss before income taxes	(86)
Income tax benefit	<u>(27)</u>
<b>NET LOSS</b>	<u><u>\$ (59)</u></u>

*See accompanying Notes to Financial Statements.*

**SUNSET FINANCIAL SERVICES, INC.**  
**STATEMENT OF STOCKHOLDER'S EQUITY**  
**Year ended December 31, 2019**  
(amounts in thousands)

<b>COMMON STOCK</b> , beginning and end of year	\$ 50
<b>ADDITIONAL PAID IN CAPITAL</b> , beginning and end of year	1,500
<b>RETAINED DEFICIT</b>	
Beginning of year	(723)
Net loss	(59)
End of year	<u>(782)</u>
<b>STOCKHOLDER'S EQUITY</b>	<u>\$ 768</u>

*See accompanying Notes to Financial Statements.*

**SUNSET FINANCIAL SERVICES, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year ended December 31, 2019**  
(amounts in thousands)

<b>OPERATING ACTIVITIES</b>	
Net loss	\$ (59)
Adjustments to reconcile net loss to net cash used by operating activities:	
Deferred income taxes	(12)
Changes in assets and liabilities:	
Accounts receivable	9
Deposit with FINRA	(2)
Income taxes, net	(65)
Due to affiliated entities, net	(7)
Accounts payable and other liabilities	(4)
Net cash used by operating activities	<u>(140)</u>
Decrease in cash and cash equivalents	(140)
Cash and cash equivalents at beginning of year	<u>912</u>
Cash and cash equivalents at end of year	<u>\$ 772</u>

*See accompanying Notes to Financial Statements.*

**Sunset Financial Services, Inc.**  
**Notes to Financial Statements**  
(amounts in thousands)

**1. Nature of Operations and Significant Accounting Policies**

**Business**

Sunset Financial Services, Inc. (the Company or SFS) is a wholly-owned subsidiary of Kansas City Life Insurance Company (Kansas City Life). The Company is registered as a brokerage and investment adviser firm with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA). The Company wholesales and markets variable life and annuity products for Kansas City Life.

On November 14, 2014, the Company completed the sale of certain accounts under an asset purchase agreement with Securities America, Inc. (SAI), a subsidiary of Ladenburg Thalmann Financial Services, Inc., (NYSE MKT: LTS). Under this agreement, approximately 210 registered representatives transitioned from the Company to SAI. The remaining representatives and advisors of the Company conduct business under the name "KCL Services Company," through an Office of Supervisory Jurisdiction (OSJ) branch of SAI. The Company continues to provide underwriting and distribution services to Kansas City Life related to its variable life and variable annuity insurance products. The Kansas City Life OSJ is a Principal who entered into a contract with SAI to supervise the OSJ branch and receives all commissions and overrides for securities products sales. This Principal assigns and transfers to Kansas City Life all compensation and other payments that become due and payable to the Principal from SAI. This Principal is also designated by SFS as a related party (please see Note 5 – Related Party Transactions).

The Company does not hold customer funds or safekeep customer securities and is therefore exempt from Rule 15c3-3 of the SEC under subsection (k)(1). Under this exemption, Supplemental Schedule II the "Computation for Determination of Customer Reserve Requirements and PAB Account Reserve Requirements" and Supplemental Schedule III the "Information Relating to the Possession or Control Requirements" are not required.

**Basis of Presentation**

The accompanying financial statements have been prepared on the basis of U.S. generally accepted accounting principles (GAAP).

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from such estimates.

**Cash and Cash Equivalents**

The Company considers all highly liquid instruments purchased with original maturity of three months or less when purchased to be cash equivalents. As of December 31, 2019, the Company had \$747 not insured by the Federal Deposit Insurance Corporation (FDIC). The carrying amount of cash approximates their fair values.

**Revenue Recognition**

Revenues consist of the following:

- Override revenue consists of fees for administrative support services to a Principal operating as an OSJ. These fees are recorded as the related commissions and overrides for security product sales and are recorded by the Principal. Override revenues are calculated based upon a contractual percentage of the gross dealer concessions (GDC). The Company believes the performance obligation has been satisfied upon the sale of the securities product and as such this is fulfilled on the trade date. Any fixed amounts are recognized on the trade date and variable amounts are recognized to the extent it is probable that a significant revenue reversal will not occur until the uncertainty is resolved. For variable amounts, as the uncertainty is dependent on the value of shares associated with 12b-1 fees on mutual funds, and is highly susceptible to factors outside the Company's influence, the Company does not believe that it can overcome this constraint until the market value of the fund and the investor activities are known, which are usually monthly or quarterly. Override revenues recognized in the current period are primarily related to performance obligations that have been satisfied in prior periods.

**Sunset Financial Services, Inc.**  
**Notes to Financial Statements**  
(amounts in thousands)

- Proprietary revenues are earned when the Company enters into an arrangement on the sale of variable products by Kansas City Life. In addition, the Company earns certain commissions from the sale of variable products that are paid directly to the selling agent by Kansas City Life on behalf of the Company. Such amounts are presented on a net basis in the accompanying financial statements. The Company's performance obligation is the sale of the variable insurance product at the policy origination date and as such is fulfilled at the time the policy is issued by Kansas City Life. Any fixed amounts are recognized on the issuance of the policies and variable amounts are recognized to the extent it is probable that a significant revenue reversal will not occur once the uncertainty is resolved. For variable amounts, as the uncertainty is dependent on the policy renewal and policy account balances, which is highly susceptible to factors outside the Company's influence, the Company does not believe that it can overcome this constraint, which are usually monthly or quarterly. Proprietary revenue recognized in the current period is primarily related to performance obligations that have been satisfied in prior periods.
  
- Asset management fees are earned when the Company enters into arrangements with certain fund managers whereby variable products of Kansas City Life are invested into the fund and fund average assets exceed established contractual thresholds. The Company's performance obligation is the sale of the insurance products at the policy origination date and as such is fulfilled at the time the variable insurance product is issued by Kansas City Life, and contractual thresholds are met. Any fixed amounts are recognized on the original issuance of the policy and variable amounts are recognized to the extent it is probable that a significant revenue reversal will not occur once the uncertainty is resolved. For variable amounts, as the uncertainty is dependent on the policy renewal and value of the assets at future points in time, which are highly susceptible to factors outside the Company's influence, the Company does not believe that it can overcome this constraint until renewal premiums have been received and average assets have been measured, which are usually quarterly. Proprietary revenue recognized in the current period is primarily related to performance obligations that have been satisfied in prior periods.
  
- Investment income is comprised primarily of interest income.

**Income Taxes**

The Company files a consolidated federal tax return with other insurance and non-insurance affiliates of Kansas City Life. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Gross deferred tax assets and liabilities are measured using tax rates expected at the time of their reversal (please see Note 3 – Federal Income Taxes).

The Company's parent is no longer subject to federal or state income tax examinations by taxing authorities for years prior to 2016.

**New Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02 Leases (Topic 842). Topic 842 includes a lessee model that requires most leases to be reported on the balance sheet. This guidance, including subsequently issued amendments, became effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. The Company adopted this guidance effective January 1, 2019 with no material impact to the financial statements.

**2. Fair Value Measurements**

At December 31, 2019, there were no assets or liabilities reported at fair value on a nonrecurring basis.

**Sunset Financial Services, Inc.**  
**Notes to Financial Statements**  
(amounts in thousands)

**3. Federal Income Taxes**

The components of income tax on operations in 2019 are as follows:

	Total
Current income tax benefit	\$ (15)
Deferred income tax benefit	(12)
Total income tax benefit	\$ (27)

The following table provides a reconciliation of the federal income tax rate to the Company's effective income tax rate for the year ended December 31, 2019.

	Total
Federal income tax rate	21%
Prior year tax	11%
Effective income tax rate	32%

Total income tax benefit is 32% of income before income tax benefit. The effective income tax rate is greater than the statutory rate of 21% primarily due to prior year tax return differences. Prior year tax return differences resulted in an increase in the effective tax rate of approximately 11% of income before tax for the year ended December 31, 2019.

Differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years are called temporary differences. The tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities are presented in the following table:

	Total
Deferred tax asset:	
Net operating loss carryforward	\$ 12
Total	\$ 12
Deferred tax liabilities	\$ -
Net deferred tax assets	\$ 12

A valuation allowance is established for deferred tax assets that the Company does not believe a future tax benefit will be realized using a more likely than not standard. The Company did not record a valuation allowance in 2019, as management believes the Company will more likely than not realize the benefit of its deferred tax asset.

The deferred tax asset is primarily attributable to a net operating loss carryforward of \$56. The Company is a member of a consolidated tax return group that expects to generate sufficient future taxable income to utilize the existing net operating loss.

The Company did not have any unrecognized tax benefits at December 31, 2019. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. In 2019, the Company did not recognize any expense related to interest and penalties.

The Company did not have any uncertain tax positions at December 31, 2019.

**Sunset Financial Services, Inc.**  
**Notes to Financial Statements**  
(amounts in thousands)

**4. Net Capital Requirements**

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), 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 a ratio of 15 to 1. At December 31, 2019, the Company had net capital of \$667, which was in excess of its required net capital of \$6. The Company's ratio of aggregate indebtedness to net capital was 0.13 to 1. See Schedule I for additional information.

**5. Related Party Transactions**

Pursuant to terms of an agreement, Kansas City Life furnishes certain administrative services to the Company, including but not limited to legal, accounting, investments, human resources, information technologies and fixed assets. The administrative fees for providing such services amounted to \$1,225. The cost of these services is determined based upon internal cost studies performed by Kansas City Life on behalf of the Company, which may be different than if the services were either provided by an unrelated third party or by the Company. Also, in accordance with the agreement, Kansas City Life pays certain operating expenses on behalf of the Company. The Company reimburses Kansas City Life for these expenses, which in 2019 amounted to \$287. At December 31, 2019, the Company had an accounts payable due to affiliates of \$71. For the year ended December 31, 2019, proprietary revenues from affiliates amounted to \$114 for the Company.

The Company has an administrative agreement with a Principal that assigns and transfers to the Company all compensation and other payments that become due and payable to the Principal from SAI. As of December 31, 2019, the Company had an accounts receivable of \$34 from SAI and for the year ended 2019 affiliated revenue of \$1,183, which is included in Override revenue in the Statement of Operations.

**6. Contingencies**

The Company is currently a defendant in certain legal proceedings described below. It is often not possible to predict the ultimate outcome of pending legal proceedings or to provide with any degree of certainty the reasonable ranges of potential losses related thereto. The matters referred to below are at stages where the Company does not have sufficient information to make an assessment of the claims for liability or damages. The claimants are seeking undefined amounts of damages or other relief, which are difficult to quantify and cannot be estimated based on the information currently available. Additionally, based on the events over the last year involving these matters, the Company does not have sufficient information at present to be able to determine the likelihood or amount of an outcome, but the resolution of any of these matters could have a material adverse effect on its financial position, results of operations, or cash flows.

The Company has one complaint to be heard in arbitration proceedings under FINRA rules. This complaint, which includes investments in private placements and real estate related funds or trusts, allege most if not all of the following: breach of fiduciary duty, breach of contract, negligence, lack of suitability, misrepresentation and that the Company failed to supervise the representative or contact the account holder.

The specific claim currently pending includes:

- 1) A claim filed in the state of Missouri in December 2017 related to investments in private placements and real estate related funds; and
- 2) A claim filed in the state of Missouri in April 2018 related to investments in private placements and real estate related funds.

These two claims were consolidated into a single FINRA Arbitration proceeding on May 20, 2019. The matter is currently scheduled to be heard in April of 2020.

The likelihood of success of the plaintiff or the Company is difficult to quantify and cannot be estimated based on the information currently available.

**Sunset Financial Services, Inc.**  
**Notes to Financial Statements**  
(amounts in thousands)

The Company is also subject to regulation under the federal securities laws administered by the SEC. Federal securities laws contain regulatory restrictions and criminal, administrative, and private remedial provisions. From time to time, the SEC and FINRA examine or investigate the activities of the Company. These examinations often focus on the activities of the registered representatives and registered investment advisors doing business through that entity. It is possible that any examination may result in payments of fines and penalties, payments to customers, or both, as well as changes in systems or procedures, any of which could have a material adverse effect on the Company's financial condition or results of operations. As of December 31, 2019, the Company had no open FINRA examinations.

**7. *Subsequent Events***

Subsequent events have been evaluated through February 21, 2020, the date that the financial statements have been issued.

**SUNSET FINANCIAL SERVICES, INC.**  
**COMPUTATION OF NET CAPITAL\***  
**SCHEDULE I**  
**December 31, 2019**  
(amounts in thousands)

Total stockholder's equity	\$	768
Less:		
Non-allowable assets		84
Haircuts on securities (computed pursuant to Rule 15c3-1(c)(2)(vi)(D))		17
Net Capital		667
Minimum requirement		6
Excess	\$	661
 <b>AGGREGATE INDEBTEDNESS</b>		
Due to affiliated entities	\$	71
Accounts payable and other liabilities		17
Aggregate indebtedness	\$	88
 Ratio of aggregate indebtedness to net capital		 0.13 to 1

**Statement regarding Rule 17a-5(d)(4)**

There were no material differences between the computation of net capital under Rule 15c3-1 included in this audited report and the computation included in the Company's corresponding unaudited Form X-17A-5 Part IIA as of December 31, 2019, filed on January 27, 2020.

\*Pursuant to Rule 15c3-1 of the Securities and Exchange Commission.

*See accompanying Report of Independent Registered Public Accounting Firm.*

**SUNSET FINANCIAL SERVICES, INC.  
COMPUTATION FOR DETERMINATION OF  
CUSTOMER RESERVE REQUIREMENTS AND PAB  
ACCOUNT RESERVE REQUIREMENTS\*  
SCHEDULE II  
December 31, 2019**

The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(1) of that Rule.

\*Pursuant to Rule 15c3-3 of the Securities and Exchange Commission.

*See accompanying Report of Independent Registered Public Accounting Firm.*

**SUNSET FINANCIAL SERVICES, INC.  
INFORMATION RELATING TO POSSESSION OR  
CONTROL REQUIREMENTS\*  
SCHEDULE III  
December 31, 2019**

The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(1) of that Rule.

\*Pursuant to Rule 15c3-3 of the Securities and Exchange Commission.

*See accompanying Report of Independent Registered Public Accounting Firm.*

# SFS

## SUNSET FINANCIAL

Sunset Financial Services Inc. / 3520 Broadway / P.O. Box 219365 / Kansas City, Missouri 64121-9365 / 800-821-5529

### **Sunset Financial Services, Inc. Exemption Report**

Sunset Financial Services, 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. § 240.15c3-3 under the following provisions of 17 C.F.R. § 240.15c3-3 (k):

(a) The provisions of this section shall not be applicable to a broker or dealer meeting all of the following conditions:

(i) The broker's or dealer's transactions as dealer (as principal for its own account) are limited to the purchase, sale, and redemption of redeemable securities of registered investment companies or of interests or participations in an insurance company separate account, whether or not registered as an investment company; except that a broker or dealer transacting business as a sole proprietor may also effect occasional transactions in other securities for its own account with or through another registered broker or dealer;

(ii) The broker's or dealer's transactions as broker (agent) are limited to:

(a) The sale and redemption of redeemable securities of registered investment companies or of interest or participations in an insurance company separate account, whether or not registered as an investment company;

(b) the solicitation of share accounts for savings and loan associations insured by an instrumentality of the United States; and

(c) the sale of securities for the account of a customer to obtain funds for immediate reinvestment in redeemable securities of registered investment companies; and

(iii) The broker or dealer promptly transmits all funds and delivers all securities received in connection with its activities as a broker or dealer, and does not otherwise hold funds or securities for, or owe money or securities to, customers.

(iv) Notwithstanding the foregoing, this section shall not apply to any insurance company which is a registered broker-dealer, and which otherwise meets all of the conditions in paragraphs (k) (1) (i), (ii), and (iii) of this section, solely by reason of its participation in transactions that are a part of the business of insurance, including the purchasing, selling, or holding of securities for or on behalf of such company's general and separate accounts.

(2) The Company met the identified exemption provisions in 17 C.F.R. § 240.15c3-3(k)(1) throughout the most recent fiscal year without exception.

Sunset Financial Services, Inc.

I, Kelly T. Ullom, affirm that, to my best knowledge and belief, this Exemption Report is true and correct.



---

Kelly T. Ullom

President

February 21, 2020

## Report of Independent Registered Public Accounting Firm

To the Shareholder and  
Board of Directors  
Sunset Financial Services, Inc.  
Kansas City, Missouri

### *Opinion on the Financial Statements*

We have audited the accompanying statement of financial condition of Sunset Financial Services, Inc. (the "Company") as of December 31, 2019, the related statements of operations, stockholder's 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 the Company 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 the Company's management. Our responsibility is to express an opinion on the Company'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 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 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 supporting 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

To the Shareholder and  
Board of Directors  
Sunset Financial Services, Inc.  
Page 2

***Report on Supplemental Information***

The Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission, Computation for Determination of Customer Reserve Requirements and PAB Account Reserve Requirements Under Rule 15c3-1, and Information Relating to Possession or Control Requirements Under Rule 15c3-3 as of December 31, 2019 (“supplemental information”) has been subjected to audit procedures performed in conjunction with the audit of the Company’s financial statements. The supplemental information is the responsibility of the Company’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 CFR §240.17a-5. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***BKD, LLP***

We have served as the Company’s auditor since 2016.

Kansas City, Missouri  
February 21, 2020

**Report of Independent Registered Public Accounting Firm  
on the Exemption to Rule 15c3-3 Under Provision 15c3-3(k)(1)**

Board of Directors and Shareholder  
Sunset Financial Services, Inc.  
Kansas City, Missouri

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

*BKD, LLP*

Kansas City, Missouri  
February 21, 2020