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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
8-46844

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 04/01/2019 (MM/DD/YY) AND ENDING 12/31/2019 (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Purshe Kaplan Sterling Investments Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

18 Corporate Woods Blvd
(No. and Street)

Albany	NY	12211
(City)	(State)	(Zip Code)

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

John Peter Purcell 518-436-3536

(Area Code – Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Marcum LLP

(Name – *if individual, state last, first, middle name*)

750 Third Avenue	New York	NY	10017
(Address)	(City)	(State)	(Zip Code)

CHECK ONE:

- [x] 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)*

OATH OR AFFIRMATION

I, John Peter Purcell, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Purshe Kaplan Sterling Investments Inc., as of December 31, 20 19, 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:

KATHERINE M. FLOUTON
Notary Public, State of New York
No. 01FL5068617
Qualified in Schenectady County
Commission Expires ~~Nov. 4, 20~~ 1/8/2023

Notary Public

Signature

CEO

Title

This report ** contains (check all applicable boxes):

- [x] (a) Facing Page.
- [x] (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.
- [x] (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).*

PURSHE KAPLAN STERLING INVESTMENTS, INC.

FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

December 31, 2019

Filed pursuant to Rule 17a-5(e) (3) as a Public Document

PURSHE KAPLAN STERLING INVESTMENTS, INC.

Financial Statements

December 31, 2019

Financial Statements

MARCUM
ACCOUNTANTS ▲ ADVISORS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder of
Purshe Kaplan Sterling Investments, Inc.

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Purshe Kaplan Sterling Investments, Inc. (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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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.

Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2018.

New York, NY
March 12, 2020

PURSHE KAPLAN STERLING INVESTMENTS, INC.

Statement of Financial Condition

December 31, 2019

ASSETS

Cash and cash equivalents	$	2,880,568
Due from clearing broker		355,655
Commissions receivables		7,380,993
Other receivables		1,136,898
Promissory Note Receivable		30,747
Prepaid income taxes		49,321
Prepaid expenses		48,271
Furniture and equipment, net of accumulated depreciation of $489,837		179,570
Right of Use Asset, net of accumulated amotization of $9,225		46,013
Deposit with clearing broker		175,000
Security deposits		12,426
TOTAL ASSETS	$	12,295,462

See accompanying notes to financial statements.

PURSHE KAPLAN STERLING INVESTMENTS, INC.

Statement of Financial Condition

December 31, 2019

LIABILITIES AND STOCKHOLDER'S EQUITY	
Current Liabilities:	
Accounts payable and accrued expenses	$ 1,157,735
Accrued commissions payable	8,773,862
Operating lease liabilities	45,070
Income taxes payable	618
Subordinated loan - Parent Company	150,000
TOTAL LIABILITIES	10,127,285
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDER'S EQUITY	
Common stock, 200 shares no par value authorized, issued and outstanding	10,000
Additional paid-in capital	13,169,028
Retained earnings	(11,010,851)
Total stockholder's equity	2,168,177
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 12,295,462

See accompanying notes to financial statements.

PURSHE KAPLAN STERLING INVESTMENTS, INC.
Notes to Financial Statements
December 31, 2019

NOTE A. Organization and Nature of Business

Purshe Kaplan Sterling Investments, Inc. (the "Company" or "PKSI") is a broker-dealer with the Securities and Exchange Commission (SEC) and a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investors Protection Corporation (SIPC). The Company maintains its corporate office in Albany, New York, and branch offices throughout the United States of America.

The Company is a wholly-owned subsidiary of PKS Holdings, LLC (the "Parent Company", a New York State limited liability company).

The accompanying financial statements have been prepared from the separate records maintained by the Company and due to certain transactions and agreements with affiliated entities, may not necessarily be indicative of the financial condition that would have existed, or the results that would have been obtained from operations, had the Company operated as an unaffiliated entity.

NOTE B. Summary of Significant Accounting Policies

Use of Estimates
The preparation of the financial statements in conformity with US GAAP 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 statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the allowance for receivables and the useful life of furniture and fixtures.

Cash, and Cash Equivalents
Cash and cash equivalents consist primarily of cash on deposit and money market funds, all of which have original maturities of three months or less. Interest income on cash equivalents is recognized on an accrual basis. Cash equivalents are stated at cost plus accrued interest, which approximates fair value.

NOTE B. Summary of Significant Accounting Policies - *Continued*

Receivables

Receivables of amounts due to the Company from its clearing firm, clients and financial institutions. The Company recognizes an allowance for doubtful accounts to ensure receivables are not overstated due to un-collectability. Bad debt reserves are maintained for various counterparties based on a variety of factors, including the length of time the receivables are past due, significant one-time events and historical experience. An additional reserve for individual accounts is recorded when the Company becomes aware of a customer's inability to meet its financial obligation, such as in the case of bankruptcy filings, or deterioration in the customers' operating results or financial position. If circumstances related to counterparties change, estimates of the recoverability of receivables would be further adjusted. Management believes its risk of loss on currently recorded receivables is minimal and accordingly no allowance for doubtful accounts has been provided.

Furniture and Fixtures, net

Property and equipment are recorded at cost less accumulated depreciation and amortization. The Company depreciates its property and equipment for financial reporting purposes using the straight-line method over the estimated useful lives of the assets, which range from 3 to 7 years. Leasehold improvements are amortized over the lesser of the useful life of the asset, or the initial lease term. Expenditures for maintenance and repairs, which do not extend the economic useful life of the related assets, are charged to operations as incurred, and expenditures, which extend the economic life, are capitalized. When assets are retired, or otherwise disposed of, the costs and related accumulated depreciation or amortization are removed from the accounts and any gain or loss on disposal is recognized.

Impairment of Long-Lived Assets

The Company assesses the recoverability of its long-lived assets, including property and equipment when there are indications that the assets might be impaired. When evaluating assets for potential impairment, the Company compares the carrying value of the asset to its estimated undiscounted future cash flows. If an asset's carrying value exceeds such estimated cash flows (undiscounted and with interest charges), the Company records an impairment charge for the difference. Based on its assessments, the Company did not record any impairment charges for the nine months ended December 31, 2019.

NOTE B. Summary of Significant Accounting Policies - *Continued*

Income Taxes
The Company accounts for income taxes in accordance with ASC 740 Income Taxes. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in the tax rate on deferred tax assets and liabilities is recognized in in the period that the change is effective. Income tax benefits are recognized when it is probable that the deduction will be sustained. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will either expire before the Company is able to realize the benefit, or that future deductibility is uncertain.

Compensated Absences
Compensated absences are paid as incurred on an annual basis and do not carry over to future years. Accordingly, no accrual for such costs have been made in these financial statements.

Subsequent Events
The Company evaluates subsequent events for recognition and disclosure through the date the financial statements are available to be issued.

NOTE C. Net Capital Requirements

The Company, as a registered broker-dealer, is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), and has elected the basic method allowed by Rule 15c3-1. This requires the Company to maintain a net capital equal to the greater of $250,000 or 6.67% of the aggregate indebtedness and both as defined, shall not exceed 15 to 1.

The Company had net capital of $914,843 as of December 31, 2019. The Company had net capital of $252,695 in excess of its required net capital of $662,148 as of December 31, 2019. The Company's net capital ratio was 10.86 to 1 as of December 31, 2019.

Under its agreement with NFS, the Company is required to maintain net capital of $400,000.

NOTE D. Liabilities Subordinated to Claims of Creditors

In September 2005, the Company borrowed $150,000 from its Parent Company. The note and its related terms, which include interest at the annual rate of 15%, were found acceptable by FINRA as a satisfactory subordinated agreement. Accordingly, the note principal amount is allowed in computing net capital under the SEC's Uniform Net Capital Rule (SEC Rule 15c3-1). To the extent that this borrowing is required for the Company's continued compliance with minimum net capital requirements, it may not be repaid. The Parent Company has irrevocably agreed that the obligations of the Company with respect to the payment and principal are subordinate to the claims of all creditors of the Company. Interest expense pursuant to the subordination agreement was approximately $17,188.

Under the terms of the amended subordinated agreement the maturity date of the will be automatically extended an additional year until the Parent Company or the Company notifies in writing that it intends to not extend the maturity date.

NOTE E. Fully Disclosed Clearing Agreement

During 2017, the Company cleared customer transactions through its fully disclosed agreements with National Financial Services, LLC, ("NFS") another registered broker-dealer and, therefore, the Company operates pursuant to exemptions contained in Rule 15c3-3 of the Securities and Exchange Act of 1934.

As of December 31, 2019 the Company has a deposit with NFS of $175,000 pursuant to its clearing agreement and has receivables from NFS of approximately $355,000 which consists of cash and money market funds.

NOTE F. Fair Value

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard establishes the following hierarchy used in fair value measurements and expands the required disclosures of assets and liabilities measured at fair value:

• Level 1 - Inputs use quoted unadjusted prices in active markets for identical assets or liabilities that the Company has the ability to access.

• Level 2 - Fair value measurements use other inputs that are observable, either directly or indirectly. These inputs include quoted prices for similar assets and liabilities in active markets as well as other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

NOTE F. Fair Value – *Continued*

• Level 3 - Inputs that are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. The inputs or methodology used for valuing assets and liabilities are not necessarily an indication of the risk associated with investing in those assets and liabilities.

Certain financial instruments are carried at cost on the Statement of Financial Condition, which approximates fair value due to their short-term, highly liquid nature. These instruments are classified as Level 1.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

Assets at Fair Value at December 31, 2019

	Level 1	Level 2	Level 3	Total
Money Market Funds	$330,613	$-	$-	$330,613

There were no transfers between Levels 1, 2, and 3 and at December 31, 2019, the Company did not hold any Level 2 or 3 assets or liabilities.

Note G. Promissory Note Receivable

On July 19, 2018 the Company loaned two individuals $22,942 each for a total loan amount of $45,883. At that time the borrowers became Registered Representatives of the Company. The terms of the loan are at an interest rate of 8% per annum, repayments of 5% of gross commission calculated on a monthly basis until such time as the principal and accrued interest are paid in full. In the event that either of the borrowers cease to be a Registered Representative of the Company such cessation shall constitute a default the remaining principal and interest will become immediately payable to the company. The loan is secured by an interest in all commissions, fees or other compensation the borrower may receive. The loan balances totaled $30,747 as of December 31, 2019.

NOTE H. Furniture and Fixtures

Furniture and fixtures consisted of the following as of December 31, 2019:

Computer hardware	$	424,517
Furniture		212,075
Office Equipment		32,815
		669,407
Less accumulated depreciation		(489,837)
Furniture and fixtures, net	$	179,570

NOTE I. Credit Risk and Concentrations

Financial instruments that subject the Company to credit risk consist principally of receivables and cash and cash equivalents. The Company performs certain credit evaluation procedures and does not require collateral for financial instruments subject to credit risk. The Company believes that credit risk is limited because the Company routinely assesses the financial strength of its counterparties and, based upon factors surrounding the credit risk of its counterparties, establishes an allowance for uncollectible accounts and, consequently, believes that its receivables credit risk exposure beyond such allowances is limited.

The Company maintains cash deposits with financial institutions, which, from time to time, may exceed federally insured limits. The Company has not experienced any losses and believes it is not exposed to any significant credit risk from cash.

NOTE J. Retirement Plan

The Company maintains a 401(k) retirement plan for the benefit of its employees. Contributions to the Plan by the Company are limited to a maximum of 3% of employee compensation and are based upon employee contributions. Employees must be 21 years of age and employed for three months to participate.

NOTE K. RELATED PARTY TRANSACTIONS

The Company pays the Parent Company fees to cover management and other support costs under an expense sharing agreement. The total fees charged to the Company amounted to in the aggregate approximately $4,300,000 for the nine months ended December 31, 2019.

The Company receives reimbursement under expense sharing agreements from two affiliated companies that are wholly owned entities by the Parent Company to cover operating costs. Reimbursements received for these costs totaled in the aggregate approximately $846,500 for the nine months ended December 31, 2019. Costs and expenses are shown net of these reimbursements on the statements of income.

NOTE K. RELATED PARTY TRANSACTIONS - *Continued*

The Company purchases certain of its insurance coverage against errors and omissions risk from a related company that is a wholly owned subsidiary of the Parent Company and is licensed and regulated under the laws of the British Virgin Islands. Independent registered representatives of PKSI elect coverage from this affiliate or another carrier of their own choosing whose coverage meets PKSI's adequacy standards. Policy premiums paid to this affiliate by PKSI and by independent registered representatives of approximately $985,146 were paid for the nine months ended December 31, 2019.

NOTE L. Income Taxes

The Company has a net operating loss for the nine months ended December 31, 2019 in the amount of 142,115 that will be carried forward and has an indefinite life. The Company also incurred a Net Operating Loss (NOL) on their 2018 income tax return in the amount of approximately $ 12,646,000 that will be carried forward and has an indefinite life. The provision for income taxes includes the tax effects of transactions reported in the financial statements and consists of taxes currently due plus deferred taxes. The Company provides for income taxes using the applicable statutory rates. The components of income taxes for the nine months ended December 31, 2019 is as follows:

		2019	
U.S. Federal			
Current:		-0-	
State and Local			
Current:		$ 5,534	
Income Tax Provision		$ 5,534	

As of December 31, 2019 the Company's deferred tax assets (liabilities) consisted of the effects of temporary differences attributable as follows:

Deferred tax asset:	
Net Operating Loss	$ 3,431,850
Valuation allowance	(3,410,413)
Deferred tax asset after valuation allowance	$ 21,437
Deferred tax liability-depreciation	(21,437)
Net Deferred Tax	$ -

NOTE L. Income Taxes – *Continued*

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company is required to file income tax returns in the United States (federal), and in various state jurisdictions in the United States. Based on the Company's evaluation, it has been concluded that there are no material uncertain tax positions requiring recognition in the Company's financial statements for the nine months ended December 31, 2019.

The Company's policy for recording interest and penalties associated with unrecognized tax benefits is to record such interest and penalties as interest expense and as a component of selling, general and administrative expense, respectively. There were no amounts accrued for interest or penalties for the nine months ended December 31, 2019. Management does not expect any material changes in its unrecognized tax benefits in the next year.

The Company operates in multiple tax jurisdictions and, in the normal course of business, its tax returns are subject to examination by various taxing authorities. Such examinations may result in future assessments by these taxing authorities. The Company is not currently under examination but is subject to examination by U.S. tax authorities beginning with the year ended December 31, 2016.

NOTE M. Stockholder's Equity

At December 31, 2019, the Company's equity consists of authorized, issued and outstanding 200 shares of no par value common stock. The Parent Company owned all of the shares issued and outstanding.

NOTE N. Commitments and Contingencies

Litigation
Certain conditions may exist as of the date the financial statements are issued which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

NOTE N. Commitments and Contingencies

<u>Litigation</u> – *Continued*
If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed, unless they involve guarantees, in which case the guarantees would be disclosed. There can be no assurance that such matters will not materially and adversely affect the Company's business, financial position, and results of operations or cash flows.

The Company is a defendant or respondent in various pending and threatened arbitrations, administrative proceedings and lawsuits seeking compensatory damages. Claim amounts are infrequently indicative of the actual amounts the Company will be liable for, if any. Many of these claimants also seek, in addition to compensatory damages, punitive or treble damages, and all seek interest, costs and fees. These matters arise in the normal course of business. The Company intends to vigorously defend itself in these actions, and the ultimate outcome of these matters cannot be determined at this time.

With respect to such ongoing litigation matters more specifically, the Company is in receipt of an arbitration claim seeking unspecified damages based on a vicarious liability theory from clients of an unaffiliated registered investment firm. An initial hearing is scheduled for May, 2020. Defense of this claim has been accepted on a reservation of rights by the error and omissions carriers.

On January 31, 2020 the Company entered into a settlement agreement with FS Investment Solutions, LLC in the amount of $35,000. The payment is due 30 days from the settlement date. On February 3, 2020 the Company was party to a settled arbitration with the St. Jude Heritage Pension Plan for $1,500,000. Aspen Insurance ("Aspen") paid $950,000 and Wentworth Management Services ("Wentworth") the parent company agreed to assume a liability for $550,000, which has since been paid. As of December 31, 2019, the Company had recorded a receivable of $950,000 and a liability for the same amount. The Company recorded a charge to operations for $550,000 of the settlement and a contribution of capital in the same amount. Wentworth, under the terms of an agreement with St. Jude, has unconditionally and irrevocably guaranteed timely payment in full of the settlement amount. All amounts have since been fully paid.

NOTE N. Commitments and Contingencies - *Continued*

Litigation – *Continued*

In many lawsuits, arbitrations and regulatory proceedings, it is not possible to determine whether a liability has been incurred or to estimate the amount of that liability until the matter is close to resolution. However, accruals are reviewed regularly and are adjusted to reflect management's estimates of the impact of developments, rulings, advice of counsel and any other information pertinent to a particular matter. Because of the inherent difficulty in predicting the ultimate outcome of legal and regulatory actions, management cannot predict with certainty the eventual loss or range of loss related to such matters. As of December 31, 2019, the Company has not accrued anything other than the aforementioned $35,000 for pending litigation. Awards ultimately paid, if any, may be covered by the Company's errors and omissions insurance policy. Amounts charged to operations for settlements and potential losses in fiscal year were nominal for 2019.

Indemnification

The activities of the Company's customers are transacted on either a cash or margin basis through the facilities of its clearing broker. In margin transactions, the clearing broker extends credit to the customers, subject to various regulatory and margin requirements, collateralized by cash and securities in the customer's account. In connection with these activities, the clearing broker may also execute and clear customer transactions involving the sale of securities not yet purchased.

These transactions may expose the Company to significant off-balance sheet risk in the event margin requirements are not sufficient to fully cover losses which the customers may incur. In the event the customers fail to satisfy their obligations to the clearing broker, the Company may be required to compensate the clearing broker for losses incurred on behalf of the customers.

The Company, through its clearing broker, seeks to control the risk associated with its customers' activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The clearing broker monitors required margin levels daily and, pursuant to such guidelines, requires the customers to deposit additional collateral, or reduce positions, when necessary.

NOTE O. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Company adopted ASC Topic 842, Leases (Topic 842) effective April 1, 2019 using the modified-retrospective method and elected the package of transition practical expedients for expired or existing contracts, which does not require reassessment of previous conclusions related to contracts containing leases, lease classification and initial direct costs, and therefore the comparative periods presented are not adjusted. In addition, the Company elected to adopt the short-term lease exception and not apply ASC Topic 842 to arrangements with lease terms of 12 months or less. On April 1, 2019, upon adoption of ASC Topic 842, the Company recorded right-of-use assets of $55,238 and lease liabilities of $55,238. The Company determined the lease liabilities using the Company's estimated incremental borrowing rate of 10% to estimate the present value of the remaining monthly lease payments.