

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



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

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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 02/01/2019 AND ENDING 01/31/2020  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **AUSDAL FINANCIAL PARTNERS INC.**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

**5187 UTICA RIDGE RD**

(No. and Street)

**DAVENPORT**

**IA**

**52807**

(City)

(State)

(Zip Code)

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

ROBERT B AUSDAL JR. (563) 326-2064

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**RSM US LLP**

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

**1 S Wacker Drive, Suite 800; Chicago**

(Address)

(City)

**SEC Mail Processing**  
APR 07 2020  
Washington, DC

(State)

**60606**

(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)

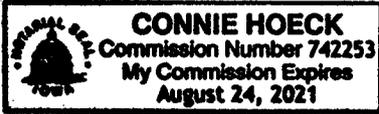
SEC 1410 (11-05)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, David B. Roberts, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of AUSDAL FINANCIAL PARTNERS INC. of January 31, 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:

No Exceptions



Signature of David B. Roberts

Vice President

Title

Signature of Connie Hoeck, Notary Public

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

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (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).



RSM US LLP

## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Ausdal Financial Partners, Inc.

### Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Ausdal Financial Partners, Inc. (the Company) as of January 31, 2020, and the related notes to the financial statement. In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of January 31, 2020, 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 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.

*RSM US LLP*

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

Cedar Rapids, Iowa  
March 31, 2020

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**AUSDAL FINANCIAL PARTNERS, INC.**  
**Financial Statement**  
**January 31, 2020**

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**AUSDAL FINANCIAL PARTNERS, INC.**  
**Statement of Financial Condition**  
**January 31, 2020**

**ASSETS**

Cash	2,611,188
Receivables:	
Commissions and fees	825,377
Employee/independent contractors	35,661
Other receivables	98,000
Notes receivable, related parties	81,179
Prepaid expenses	65,136
Securities owned:	
Marketable at market value	14,170
Not readily marketable at estimated fair value	254,356
Leasehold improvements, furniture and equipment	
Net of accumulated depreciation and amortization of \$224,936	36,901
Right of use assets	285,408
Security deposit	5,000
Deposits with clearing broker-dealer	25,000
	25,000
<b>Total assets</b>	<b>\$ 4,337,376</b>

**LIABILITIES and STOCKHOLDERS' EQUITY**

**LIABILITIES:**

Accounts payable and accrued expenses	\$ 749,205
Commissions payable	804,013
Deferred revenue	1,263,401
Deferred income tax liability	28,027
Lease liability	285,408
<b>Total liabilities</b>	<b>3,130,054</b>

**STOCKHOLDERS' EQUITY**

Capital stock, common, par value \$1 per share;	
100,000 shares authorized; 21,727 shares issued;	
21,667 shares outstanding	21,727
Additional paid in capital	163,792
Retained earnings	1,042,662
Subtotal	1,228,181
Less: Treasury stock (60 shares at cost)	(20,859)
<b>Total stockholders' equity</b>	<b>1,207,322</b>

<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,337,376</b>
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See notes to Financial Statements

AUSDAL FINANCIAL PARTNERS, INC.  
Notes to the Financial Statement  
For the Year Ended January 31, 2020

**Note 1**    **NATURE OF BUSINESS, ACCOUNTING ESTIMATES, AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

Ausdal Financial Partners, Inc. (the Company) operates as a broker-dealer in securities. The Company is a registered investment advisory firm with the Securities and Exchange Commission (SEC), a member of the Financial Industry Regulatory Authority (FINRA), and the Securities Investor Protection Corporation (SIPC).

For transactions in mutual fund shares, alternative investments, and variable products, the Company operates under the provision of paragraph (k)(2)(i) of Rule 15c3-3 of the SEC. Among other items, (k)(2)(i) requires that the Company carry no margin accounts, that it promptly transmits all customer funds and securities and does not hold customer funds or securities or perform custodial services for customers.

With respect to all other securities transactions, the Company operates under the provisions of paragraph (k)(2)(ii) of Rule 15c3-3 of the SEC. Essentially, the requirements of paragraph (k)(2)(ii) provide that the Company clear all transactions on behalf of customers on a fully disclosed basis with a clearing broker-dealer, currently Pershing, LLC, and promptly transmit all customer funds and securities to the clearing broker-dealer. The clearing broker-dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker-dealer.

As a result of the above two paragraphs, the Company is exempt from the remaining provisions of Rule 15c3-3.

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

**Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fair Value Measurements**

The Fair Value Measurement and Disclosure Topic of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The framework emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Fair value measurements are disclosed by level within that hierarchy.

AUSDAL FINANCIAL PARTNERS, INC.  
Notes to the Financial Statement  
For the Year Ended January 31, 2020

**Note 1**     **NATURE OF BUSINESS, ACCOUNTING ESTIMATES, AND SIGNIFICANT ACCOUNTING POLICIES**  
(continued)

**Receivables from Commissions and Fees**

Receivables from commissions and fees receivable primarily consist of commission and transaction-related receivables, which totaled \$825,377 and \$559,699 as of January 31, 2020 and 2019, respectively.

**Receivables from Employee/Independent Contractors**

Receivables from Employee/Independent Contractors consist primarily of fees and expenses passed through to registered representatives including registration fees, legal fees and miscellaneous administrative charges.

Management performs periodic credit evaluations and provides an allowance based on its assessment of specifically identified unsecured receivables and other factors, including the representative's payment history. Once it is determined that it is both probable that a receivable will not be collected and the amount of the loss can be reasonably estimated, the receivable is so classified and written off. The allowance was none as of January 31, 2020.

**Notes Receivable, Related Parties**

From time to time, the Company provides loans to certain registered employees, independent contractor representatives and other related parties. These loans are recorded at face value at the time the loan is made. Interest charged on these loans ranges up to 7% annually.

Management performs periodic credit evaluations and provides an allowance based on its assessment of specifically identified unsecured receivables and other factors, including the representative's payment history. Once it is determined that it is both probable that a receivable will not be collected and the amount of the loss can be reasonably estimated, the receivable is so classified and written off. The allowance was none as of January 31, 2020.

**Securities Owned**

Investments in marketable securities with readily determinable fair market values and all investments in debt securities are reported at their fair values in the Statement of Financial Condition. Investments in non-marketable securities are reported in the Statement of Financial Condition at original cost or appraised value when such appraisal is supplied by the issuer. Unrealized gains and losses are included in the Statement of Operations. All investment transactions are accounted for as of the trade date. Interest is recorded on an accrual basis and dividends are recorded on the ex-dividend date.

The securities of the Company are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

AUSDAL FINANCIAL PARTNERS, INC.  
Notes to the Financial Statement  
For the Year Ended January 31, 2020

**Note 1**     **NATURE OF BUSINESS, ACCOUNTING ESTIMATES, AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Leasehold Improvements, Furniture and Equipment**

All leasehold improvements, furniture, and equipment are carried at cost with depreciation and amortization computed using the straight line method over the estimated useful lives of the assets, generally 5 years for electronic equipment, 10 years for furniture and fixtures, and 15 years for leasehold improvements.

**Leases**

Lease assets and lease liabilities are recognized based on the present value of the future lease payments over the lease term at the lease commencement date. The Company estimates its incremental borrowing rate based on information available at the commencement date in determining the present value of future payments.

**Revenue Recognition**

Revenues are recognized when control of the promised services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. Revenues are analyzed to determine whether the Company is the principal (i.e., reports revenues on a gross basis) or agent (i.e., reports revenues on a net basis) in the contract. Principal or agent designations depend primarily on the control an entity has over the product or service before control is transferred to a customer. The indicators of which party exercises control include primary responsibility over performance obligations, inventory risk before the good or service is transferred and discretion in establishing the price.

**Commissions**

Commission revenue represents sales commissions generated by advisors for their clients' purchases and sales of securities on exchanges and over-the-counter, as well as purchases of other investment products. The Company views the selling, distribution and marketing, or any combination thereof, of investment products to such clients as a single performance obligation to the product sponsors.

The Company generates two types of commission revenue: sales-based commission revenue that is recognized at the point of sale on the trade date and trailing commission revenue that is recognized at the end of the trailing period. Sales-based commission revenue varies by investment product and is based on a percentage of an investment product's current market value at the time of purchase. Trailing commission revenue is generally based on a percentage of the current market value of clients' investment holdings in trail-eligible assets, and is recognized at the end of the trailing period. As trailing commission revenue is based on the market value of clients' investment holdings, this variable consideration is constrained until the market value is determinable. Trailing commission revenue is recognized on the date on which the revenue is estimable and reasonably assured.

The Company is the principal for commission revenue, as it is responsible for the execution of the clients' purchases and sales, and maintains relationships with the product sponsors.

AUSDAL FINANCIAL PARTNERS, INC.  
Notes to the Financial Statement  
For the Year Ended January 31, 2020

**Note 1**     **NATURE OF BUSINESS, ACCOUNTING ESTIMATES, AND SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Commissions (continued)**

Advisors assist the Company in performing its obligations. Accordingly, total commission revenues are reported on a gross basis.

**Investment Advisory Fees**

Advisory revenue represents fees charged to advisors' clients' accounts on the Company's corporate advisory platform. The Company provides ongoing investment advice and performs administrative services for these accounts. This series of performance obligations transfers control of the services to the client over time as the services are performed. This revenue is recognized ratably over time to match the continued delivery of the performance obligations to the client over the life of the contract. The advisory revenue generated from the Company's corporate advisory platform is based on a percentage of the market value of the eligible assets in the clients' advisory accounts. As such, the consideration for this revenue is variable and an estimate of the variable consideration is constrained due to dependence on unpredictable market impacts on client portfolio values. The constraint is removed once the portfolio value can be determined.

The Company provides advisory services to clients on its corporate advisory platform through the advisor. The Company is the principal in these arrangements and recognizes advisory revenue on a gross basis, as the Company is responsible for satisfying the performance obligations, carries the inventory risk and has control over determining the fees. Advisors assist the Company in performing its obligations.

**Other Revenue**

Other revenue includes fees from consulting services, administrative fees charged to independent representatives and administrative fees charged on brokerage accounts. Fee revenue is recognized when the Company satisfies its performance obligations. The Company is the principal in these arrangements and recognizes fee revenue on a gross basis, as the Company is responsible for satisfying the performance obligations, carries the inventory risk and has control over determining the fees.

**Deferred Revenue**

The Company records unearned revenue when cash payments are received or due in advance of the Company's performance obligations, including amounts which are refundable. Deferred revenue primarily consists of investment advisory fees that are due and refundable for periods in advance of the performance obligations. Revenue is recognized as the Company provides the investment advice and performs administrative services to satisfy the performance obligations. Deferred revenue totaled \$1,263,401 and \$984,713 as of January 31, 2020 and 2019, respectively.

AUSDAL FINANCIAL PARTNERS, INC.  
Notes to the Financial Statement  
For the Year Ended January 31, 2020

**Note 2**      **INCOME TAXES**

The Company is organized as a C Corporation under the laws of the State of Iowa. It accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, it determines deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company recognizes deferred tax assets to the extent that it believes that these assets are more likely than not to be realized. In making such a determination, it considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If it determines that it would be able to realize its deferred tax assets in the future in excess of their net recorded amount, it would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) it determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, it recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

The Company did not have any material amounts accrued for interest penalties at January 31, 2020. Interest or penalties on income taxes, if incurred, are recognized on the Statement of Income. There were no material uncertain tax positions at January 31, 2020. The Company is no longer subject to Federal or State tax examinations for the years prior to 2016.

**Note 3**      **CASH SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS**

As of January 31, 2020, there was no “special reserve bank account segregated for the exclusive benefit of customers.” In accordance with the provisions of Rule 15c3-3 of the Securities Exchange Act of 1934, no amount was required to be on deposit in a special account.

AUSDAL FINANCIAL PARTNERS, INC.  
Notes to the Financial Statement  
For the Year Ended January 31, 2020

**Note 4**     **RECENT ACCOUNTING PRONOUNCEMENTS**

In December 2019, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. This guidance is effective for fiscal years beginning after December 15, 2020, and for interim periods within those fiscal years. The Company is currently evaluating the impact of this new guidance on its financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 removes or modifies certain current disclosures, and adds additional disclosures. The changes are meant to provide more relevant information regarding valuation techniques and inputs used to arrive at measures of fair value, uncertainty in the fair value measurements, and how changes in fair value measurements impact an entity's performance and cash flows. Certain disclosures in ASU 2018-13 will need to be applied on a retrospective basis and others on a prospective basis. Early adoption is permitted. The Company expects to adopt the provisions of this guidance on February 1, 2020, and is currently evaluating the impact that ASU 2018-13 will have on its related disclosures.

**Note 5**     **FAIR VALUE MEASUREMENTS**

As discussed in Note 1, the Fair Value Measurements and Disclosure Topic of the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The framework 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. It requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the fair value hierarchy for valuation gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority unobservable inputs. The fair value hierarchy set forth in the Topic is as follows:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by

AUSDAL FINANCIAL PARTNERS, INC.  
Notes to the Financial Statement  
For the Year Ended January 31, 2020

**Note 5**    **FAIR VALUE MEASUREMENTS (continued)**

observable market data. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Significant unobservable inputs that are generally less observable from objective sources. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

**Significant assets and liabilities recorded at fair value on a recurring basis**

The following table summarizes significant assets measured at fair value on a recurring basis as of January 31, 2020 segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

**Fair Value Measurements as of January 31, 2020 Using:**

	Fair Value	Quoted Prices in Active markets of Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
<b>Securities owned:</b>				
Money market funds and commercial paper	\$ 4,086	\$ 4,086	\$ -	\$ -
Equity funds	10,084	10,084		
Private companies	254,356	-	-	254,356
	<u>\$ 268,526</u>	<u>\$ 14,170</u>	<u>\$ -</u>	<u>\$ 254,356</u>

The Company assesses the levels of the financial instruments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Company's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. For the year ended January 31, 2020, there were no transfers among levels.

Financial instruments traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. Fair value of exchange-traded contracts is based upon exchange settlement prices.

The fair values of the money market funds are based on inputs that are quoted prices in active markets for identical assets, resulting in Level 1 categorization of such measurements.

AUSDAL FINANCIAL PARTNERS, INC.  
Notes to the Financial Statement  
For the Year Ended January 31, 2020.

**Note 5**     **FAIR VALUE MEASUREMENTS (continued)**

The following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3):

		Assets
Balance January 31, 2019	\$	212,158
Total gains or losses (realized and unrealized included in the statement of income)		42,198
Purchases and sales, net		-
Transfers in and/or out of Level 3		-
Balance January 31, 2020	\$	<u>254,356</u>

**Note 6**     **LEASEHOLD IMPROVEMENTS, FURNITURE AND EQUIPMENT**

At January 31, 2020, the major classes of depreciable assets and their related accumulated depreciation and amortization consisted of the following:

Furniture and Fixtures	\$	79,581
Computers and Other Equipment		173,080
Leasehold Improvement		9,176
		<u>261,837</u>
Less: Accumulated depreciation and amortization		224,936
Net leasehold improvements, furniture and equipment	\$	<u>36,901</u>

**Note 7**     **RECEIVABLE FROM CLEARING BROKER-DEALER**

Amounts receivable from the clearing broker-dealer at January 31, 2020 consisted of the following:

Cash deposit:		\$25,000
Receivable from clearing broker:		\$40,846

All fees due to our clearing broker are netted against the amounts owed to the Company each period. The amount receivable is included in Commissions and fees receivable on the Statement of Financial Condition.

AUSDAL FINANCIAL PARTNERS, INC.  
Notes to the Financial Statement  
For the Year Ended January 31, 2020

**Note 8**      **NOTES RECEIVABLE**

Notes receivable consisted of the following at January 31, 2020:

Due from related party bearing interest at 5.00%, payable in full by March 1, 2021.	\$      65,000
Due from employee bearing interest at 7.00% payable in bi-monthly installments amortized over 2 years to June 30, 2020.	<u>\$      16,179</u>
Total	<u>\$      81,179</u>

**Note 9**      **INCOME TAXES**

Income taxes are provided for the tax effects of transactions reported in the financial statement and consist of taxes currently due plus deferred taxes related to timing differences resulting from unrealized gain on securities owned, bad debt recognition, and book to tax depreciation differences. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either increase or decrease deductions and/or revenue when realized. Deferred tax assets and liabilities are reflected at the estimated income tax rate expected to be incurred when those events are realized.

**Note 10**     **LEASE COMMITMENTS**

***Adoption of ASC Topic 842, Leases***

On February 1, 2019, the Company adopted ASC Topic 482, Leases ("Topic 842"). Results for reporting periods beginning after February 1, 2019 are presented under Topic 842, while prior period amounts are not adjusted and continue to be reported in accordance with historic accounting guidance, ASC Topic 840.

***Lease recognition***

The Company determines if an arrangement is a lease or contains a lease at inception. The Company has operating leases for corporate offices and equipment with remaining lease terms of 6 months to 4 years. Leases with a term of less than 12 months at inception are not recognized as a right of use asset or lease liability and are recognized to operating expense on a straight-line basis over the lease term.

Operating lease assets and operating lease liabilities are recognized based on the present value of the future lease payments over the lease term at the commencement date. As most of the Company's leases do not provide an implicit rate, the Company estimates its incremental borrowing rate based on information available at the commencement date in determining the present value of future payments, currently an average of 5.5%. Lease expense for net present value of payments is recognized on a straight-line basis over the lease term. The weighted average remaining lease term of all operating leases is 43 months.

The Company leases office space in Davenport, Iowa under a non-cancellable lease with a five-year term, expiring October 31, 2023 and in Downers Grove, Illinois under a one-year lease, expiring March 31, 2020. The rent expense related to these leases for the year ended January 31, 2020 was \$233,555. The monthly rent expense for these leases combined is \$11,536. In addition to the minimum lease payments, the Company is also liable for tenant common area maintenance costs, which are determined in each current year.

AUSDAL FINANCIAL PARTNERS, INC.  
Notes to the Financial Statement  
For the Year Ended January 31, 2020

**Note 10**    **LEASE COMMITMENTS (continued)**

The Company leases servers, copiers and other equipment under non-cancellable leases with varying terms ranging from 6 months to 4 years. The rent expense related to these leases for the year ended January 31, 2020 was \$39,205. The monthly rent expense for these leases combined is \$2,934.

Minimum future rental payments under these leases as of January 31, 2020 are:

FY Ending	Office Space Leases	Other Leases	Total
2021	\$ 55,907	\$ 31,117	\$ 87,024
2022	\$ 55,907	\$ 25,265	\$ 81,172
2023	\$ 55,907	\$ 24,032	\$ 79,939
2024	\$ 41,930	\$ 9,183	\$ 51,113
2025	<u>\$ -</u>	<u>\$ 940</u>	<u>\$ 940</u>
Total	<u>\$ 209,651</u>	<u>\$ 90,538</u>	<u>\$ 300,189</u>
Present Value Discount	<u>\$ 10,930</u>	<u>\$ 3,851</u>	<u>\$ 14,781</u>
Total Lease Liability Balance	<u>\$ 198,721</u>	<u>\$ 86,687</u>	<u>\$ 285,408</u>

**Note 11**    **LIABILITY SUBORDINATED TO CLAIMS OF GENERAL CREDITORS**

As of January 31, 2020, there were no liabilities subordinated to claims of general creditors.

**Note 12**    **NET CAPITAL REQUIREMENTS**

The Company is subject to the SEC Uniform Net Capital Rule (SEC 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 15-to-1. The rule also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10-to-1.

As of January 31, 2020, the Company was operating under (k)(2)(i) exemption for mutual fund transactions and a (k)(2)(ii) for other than mutual fund transactions which had a minimum net capital requirement of \$183,110 as of January 31, 2020.

At January 31, 2020, the Company had net capital as computed under Rule 15c3-1 of the SEC of \$632,702 which was \$449,592 in excess of its required net capital of \$183,110. The Company's net capital ratio (aggregate indebtedness to net capital) was 4.3411 to 1.

**Note 13**    **CONTINGENCIES**

As discussed in Note 1, the Company's customers' securities transactions are introduced on a fully disclosed basis with its clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers of the Company and is responsible for execution, collection, and payment of funds, as well as receipt and delivery of securities relative to customers' transactions. Off-balance-sheet-risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the

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**Note 13**    **CONTINGENCIES (continued)**

clearing broker-dealer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the credit worthiness of its customers, and see that customer transactions are executed properly by the clearing broker/dealer. In the ordinary course of business, the Company is subject to litigation, arbitration, class actions and regulatory matters. The Company has been named as a defendant in a class action complaint in which the claimant is seeking an indeterminable amount. The Company has also been named in a statement of claim in which the claimant is seeking up to \$1,125,000.

Management, in consultation with counsel, has determined that material losses are not probable for these claims and whatever loss may be incurred cannot be reasonably estimated at this time. Therefore the Company has not accrued for these matters.

The Company maintains E&O insurance to protect itself from potential damages and/or legal costs associated with certain litigation and arbitration proceedings and, as a result, the Company's exposure may be limited to applicable policy limitations, exclusions and deductibles levels based on products in any one case. If a claim is settled, and it is determined that the settlement amount is due from the insurance carrier, the Company records a receivable from the insurance carrier and a payment to the claimant for the amount of settlement. The Company has recorded a liability classified with accrued expenses on the statement of financial condition totaling \$245,000 as of January 31, 2020 for known future litigation costs associated with claims reported. The Company has also recorded \$98,000 in other receivables which is the amount that will be paid by the insurance carrier for known future litigation costs associated with claims reported.

**Note 14**    **CONCENTRATIONS AND BUSINESS RISK**

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

FASB ASC 460, Guarantees, requires the disclosure of representations and warranties which the Company enters into and which may provide general indemnification to others. The Company, in its normal course of business, may enter into contracts that contain such representations and warranties.

Securities transactions of the Company's customers are introduced and cleared through the clearing broker dealer. Pursuant to the clearing agreement, the clearing broker dealer has the right to seek reimbursement from the Company for certain losses, account debit balances, and margin requirements that may result from customer transactions if the customer does not cover such losses, outstanding amounts due or satisfy margin requirements. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However,

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**Note 14** **CONCENTRATIONS AND BUSINESS RISK (continued)**

based on its experience, the Company expects the risk of loss to be remote. As of January 31, 2020, there has not been a material request received or outstanding.

**Concentration of Credit Risks**

The Company maintains its cash in a bank deposit account which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Note 15** **SUBSEQUENT EVENTS**

The Company's management has evaluated events and transactions through the date the financial statements were issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact commission and fee revenues. Other financial impact could occur though such potential impact is unknown at this time.