

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



20013140

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

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

SEC FILE NUMBER
8-36305

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 AND ENDING 03/31/2020  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: LEMLEY, YARLING & CO.

OFFICIAL USE ONLY

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

FIRM I.D. NO.

15624 LEMLEY DRIVE

(No. and Street)

SOLDIERS GROVE

WISCONSIN

54655

(City)

(State)

(Zip Code)

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

RALPH J. LEMLEY, PRESIDENT

312-925-5248

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

RYAN & JURASKA, CERTIFIED PUBLIC ACCOUNTANTS

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

141 W. JACKSON BLVD, STE 2250 CHICAGO

(Address)

(City)

ILLINOIS  
Mail Processing  
Section  
(State)

60604

(Zip Code)

CHECK ONE:



Certified Public Accountant



Public Accountant



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

JUN 10 2020

Washington DC  
415

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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.



**RYAN & JURASKA LLP**  
Certified Public Accountants

141 West Jackson Boulevard  
Chicago, Illinois 60604

Tel: 312.922.0062  
Fax: 312.922.0672

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholder  
of Lemley, Yarling & Co.

### **Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of Lemley, Yarling & Co. (the Company) as of March 31, 2020, the related statements of operations, changes in shareholder's equity, and cash flows for the year then ended, and the related notes and supplemental schedules (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of Lemley, Yarling & Co. as of March 31, 2020, 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 Lemley, Yarling & Co.'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 Lemley, Yarling & Co. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We have served as Lemley, Yarling & Co.'s auditor since 2007.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **Supplemental Information**

The Supplemental Schedules (the supplemental information) have been subjected to audit procedures performed in conjunction with the audit of Lemley, Yarling & Co.'s financial statements. The supplemental information is the responsibility of Lemley, Yarling & Co.'s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the Supplemental Schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

*Ryan & Juraska LLP*

Chicago, Illinois  
May 27, 2020

**LEMLEY, YARLING & CO.**

**Statement of Financial Condition**

**March 31, 2020**

---

**Assets**

Cash and cash equivalents	\$ 50,000
Receivable from broker-dealer	<u>79,499</u>
	<u>\$ 129,499</u>

**Liabilities and Shareholder's Equity**

Liabilities

Payable to broker-dealer	\$ 44,852
Salary, telephone, professional fees and other expenses payable	5,612
Income taxes payable	<u>7,923</u>
	<u>58,387</u>

Shareholder's Equity

Common stock, no par value; 50,000 shares authorized, 1,000 issued and outstanding	25,000
Retained earnings	<u>46,112</u>
	<u>71,112</u>
	<u>\$ 129,499</u>

See accompanying notes.

**LEMLEY, YARLING & CO.**

**Statement of Operations**

**Year ended March 31, 2020**

---

**Revenues**

Commissions	\$ 369,483
Interest	960
	<hr/>
	370,443
	<hr/>

**Expenses**

Clearing fees	220,373
Professional fees	23,802
Rent	12,000
Salaries, payroll taxes and employee benefits	6,929
Telephone and technology	5,023
Licenses and fees	7,286
Office expense	5,404
Other expense	2,560
	<hr/>
	283,377
	<hr/>

**Income before income taxes** 87,066

**Provision for income taxes** 23,786

**Net Income** \$ 63,280

See accompanying notes.

LEMLEY, YARLING & CO.

Statement of Changes in Shareholder's Equity

Year ended March 31, 2020

---

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>Balance, April 1, 2019</b>	\$ 25,000	\$ 27,741	\$ 52,741
Dividends paid	-	(44,909)	(44,909)
Net income	-	63,280	63,280
<b>Balance, March 31, 2020</b>	<u>\$ 25,000</u>	<u>\$ 46,112</u>	<u>\$ 71,112</u>

See accompanying notes.

**LEMLEY, YARLING & CO.**

**Statement of Cash Flows**

**Year ended March 31, 2020**

---

**Cash flows from operating activities**

Net income	\$ 63,280
Adjustments to reconcile net income to net cash provided by operating activities:	
(Increase) in operating assets:	
Receivable from broker-dealer	(33,382)
Increase (decrease) in operating liabilities:	
Payable to broker-dealer	19,306
Salary, telephone, professional fees and other expenses payable	(11,436)
Income taxes payable	<u>7,141</u>
Net cash provided by operating activities	<u>44,909</u>

**Cash flows from financing activities**

Dividends paid	<u>(44,909)</u>
Net cash used in financing activities	<u>(44,909)</u>

**Net increase (decrease) in cash**

-

**Cash and cash equivalents, beginning of year**

50,000

**Cash and cash equivalents, end of year**

\$ 50,000

See accompanying notes.

## LEMLEY, YARLING & CO.

### Notes to Financial Statements

March 31, 2020

---

#### 1. Organization and Business

Lemley, Yarling & Co. (the "Company") is an Illinois corporation that is a wholly owned subsidiary of Lemley, Yarling Management Co. (the "Parent"). The Company is a broker-dealer registered with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority. The Company provides brokerage services to retail customers and clears all customer transactions through a broker on a fully disclosed basis.

#### 2. Summary of Significant Accounting Policies

##### Revenue Recognition

The Company recognizes revenue in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). Commission revenue and related expenses on equity securities are recorded as earned on an accrual basis.

##### Income Taxes

The Company has adopted FASB ASC topic 740, which provides guidance regarding how uncertain income tax positions should be recognized, measured, presented, and disclosed in the financial statements. FASB ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. FASB ASC 740 also provides guidance on de-recognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

As of March 31, 2020, the Company's unrecognized tax benefits were not significant. There were no significant penalties or interest recognized during the year or accrued at year-end. The Company files income tax returns in the U.S. Federal and various state jurisdictions at the consolidated level. With few exceptions, the Company is no longer subject to U.S. Federal or state income tax examinations by tax authorities for years prior to 2016.

##### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Management determined that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

##### Cash and Cash Equivalents

The Company has defined cash equivalents as highly liquid investments with original maturities of less than three months that are not held for sale in the ordinary course of business.

#### 3. Related Party Transactions

The Company has entered into an expense sharing agreement with its Parent. For the year ending March 31, 2020, the Company recorded salary, telephone, professional fees and other expenses totaling \$63,004 related to the expense sharing agreement. At March 31, 2020, the Company had a payable to its Parent for salary, telephone, professional fees and other expenses totaling \$5,612.

The Company also reimburses its Parent for the Company's share of income taxes. For the year ending March 31, 2020, the Company recorded provision for income taxes totaling \$23,786 related to the income tax reimbursements. At March 31, 2020, the Company had income taxes payable to its Parent totaling \$7,923.

**LEMLEY, YARLING & CO.**

**Notes to Financial Statements**

**March 31, 2020**

---

**4. Receivable from and Payable to Broker-Dealer**

The Company has entered into an agreement with RBC Correspondent Services ("RBC"), whereby the Company transacts, on a fully disclosed basis, all customer business through RBC. The Company has guaranteed payment for securities purchased and delivery of securities sold pursuant to this agreement. As part of this agreement, the Company is required to maintain \$50,000 on deposit with the broker-dealer, which is classified as cash and cash equivalents on the statement of financial condition.

At March 31, 2020, the Company had a receivable from RBC totaling \$79,499, which represents cash, commissions, and trade errors receivable from RBC. At March 31, 2020, the Company had a payable to RBC totaling \$44,852 which represents clearing costs not yet paid.

**5. Fair Value Disclosure**

In accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 Inputs – Valuation is based on quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Inputs – Valuation is based on other than quoted prices included in Level 1 that are observable for substantially the full term of the asset or liability, either directly or indirectly.

Level 3 Inputs – Valuation is based on unobservable inputs for the valuation of the asset or liability. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation.

The availability of valuation techniques and observable inputs can vary from investment to investment and is affected by a wide variety of factors, including, the type of investment, whether the investment is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for investments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

At March 31, 2020, the Company held no Level 1, Level 2 or Level 3 investments.

**LEMLEY, YARLING & CO.**

**Notes to Financial Statements**

**March 31, 2020**

---

**6. Guarantees**

Accounting Standards Codification Topic 460 ("ASC 460"), Guarantees, requires the Company to disclose information about its obligations under certain guarantee arrangements. ASC 460 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. This guidance also defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement, as well as indirect guarantees of the indebtedness of others (see Note 8).

**7. Net Capital Requirement**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15(c)-1). Under this rule, the Company is required to maintain "net capital" equal to the greater of \$5,000 or 6 and 2/3% of "aggregate indebtedness", as defined. At March 31, 2020, the Company had net capital and net capital requirements of \$71,112 and \$5,000, respectively.

**8. Off-Balance Sheet Risk**

Customer transactions are introduced to and cleared through the Company's broker on a fully disclosed basis. Under the terms of its clearing agreement, the Company is required to guarantee the performance of its customers in meeting contracted obligations. In conjunction with the broker, the Company seeks to control the risks associated with its customer activities by requiring customers to maintain collateral in compliance with various regulatory and internal guidelines and, pursuant to such guidelines, customers may be required to deposit additional collateral, or reduce positions, where necessary.

**9. Concentration of Credit Risk**

U.S. GAAP requires disclosure of any significant off-balance-sheet-risk, or concentrations of credit risk. The Company currently maintains its cash and cash equivalent balance of \$50,000 with one major national financial institution. In addition, the Company has a receivable of \$79,499 from the same financial institution. Management does not consider this risk to be significant.

**10. Subsequent Events**

The Company's management has evaluated events and transactions through May 27, 2020, the date the financial statements were available to be issued. As part of this evaluation, the COVID-19 pandemic arose with a related monetary easing by the Federal Reserve. As there are no account balances subject to significant estimates at March 31, 2020 and it is not yet possible to estimate the impact on future earnings, no financial implications are reflected in the March 31, 2020 financial statements.

**SUPPLEMENTAL SCHEDULES**

**LEMLEY, YARLING & CO.****Computation of Net Capital for Broker and Dealers pursuant to Rule 15c3-1****March 31, 2020****Computation of net capital**

Total stockholder's equity		\$	71,112
Deductions and /or charges:			
Nonallowable assets:			
Other assets	\$	—	—
Net capital before haircuts on securities positions			71,112
Haircuts on securities:			
Trading and investment securities:			
Other securities	\$	—	—
Net capital		\$	<u>71,112</u>

**Computation of basic capital requirement**

Minimum net capital required (greater of \$5,000 or 6 2/3% of aggregate indebtedness)			5,000
Net capital in excess of net capital requirement	\$		<u>66,112</u>

**Computation of aggregate indebtedness**

Aggregate indebtedness	\$		<u>58,387</u>
Ratio of aggregate indebtedness to net capital			<u>82.11%</u>

There are no material differences between the above computation and the Company's corresponding unaudited Form FOCUS Part IIA filing as of March 31, 2020.

**LEMLEY, YARLING & CO.**

**Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3**

**March 31, 2020**

---

The Company did not handle any customer cash or securities for the year ended March 31, 2020, and does not have any customer accounts.

**LEMLEY, YARLING & CO.**

**Computation for Determination of PAIB Reserve Requirements Pursuant to Rule 15c3-3**

**March 31, 2020**

---

The Company did not handle any proprietary accounts of introducing brokers for the year ended March 31, 2020, and does not have any PAIB accounts.

**LEMLEY, YARLING & CO.**

**Computation Relating to the Possession or Control Requirements Under Rule 15c3-3**

**March 31, 2020**

---

The Company did not handle any customer cash or securities for the year ended March 31, 2020, and does not have any customer accounts.



**RYAN & JURASKA LLP**  
Certified Public Accountants

141 West Jackson Boulevard  
Chicago, Illinois 60604

Tel: 312.922.0062

Fax: 312.922.0672

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder  
of Lemley, Yarling & Co.

We have reviewed management's statements, included in the accompanying Lemley, Yarling & Co. Exemption Report, in which (1) Lemley, Yarling & Co. (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)(2)(ii); and (2) the Company met the identified exemption provisions in 17 C.F.R. §240.15c3-3(k) throughout the most recent fiscal year ended March 31, 2020, 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, therefore, 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 provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

*Ryan & Juraska LLP*

Chicago, Illinois  
May 27, 2020

**Lemley, Yarling & Co.  
15624 Lemley Drive  
Soldiers Grove, WI 54655  
608-624-5777**

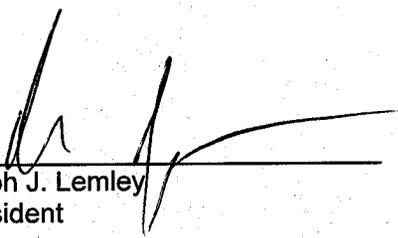
Exemption Report

Lemley, Yarling & Co. (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)(2)(ii); and
- (2) The Company met the identified exemption provisions in 17 C.F.R. § 240.15c3-3(k) throughout the most recent fiscal year ended March 31, 2020, without exception.

I, Ralph J. Lemley, swear (or affirm) that to best of my knowledge and belief, this Exemption Report is true and correct.

By:

  
\_\_\_\_\_  
Ralph J. Lemley  
President

May 27, 2020