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

SEC FILE NUMBER
8-69539

SEC
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Section

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
SEC 15 2020 Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING Washington DC 10/01/2019 AND ENDING 09/30/2020
415 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Bagby Financial Services, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

302 North Walnut Street

(No. and Street)

Dexter

MO

63841

(City)

(State)

(Zip Code)

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

Paul G Stache, CCO/FINOP

573-614-4656

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Michael T. Remus, CPA

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

PO Box 2555

Hamilton Square

NJ

08690

(Address)

(City)

(State)

Securities and Exchange Commission
Trading and Markets

CHECK ONE:



Certified Public Accountant



Public Accountant



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

DEC 17 2020

RECEIVED

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)

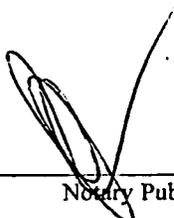
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OATH OR AFFIRMATION

I, Paul G Stache, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Bagby Financial Services, Inc., as of Sept 30, 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:



Signature



Notary Public

DANIEL P. BECK/D/INOP
NOTARY PUBLIC, NEW YORK STATE
NO. 01BE5077100
QUALIFIED IN PUTNAM COUNTY
COMMISSION EXPIRES MAY 5, 2023
Title

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Bagby Financial Services, Inc.

STATEMENT of FINANCIAL CONDITION

as of September 30, 2020

This report is filed as a Public Document in accordance with Rule 17a-5(e)(3) under the Securities Exchange Act of 1934.

MICHAEL T. REMUS
Certified Public Accountant

P.O. Box 2555
Hamilton Square, NJ 08690

Tel: 609-540-1751
Fax: 609-570-5526

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To: The Stockholder
Bagby Financial Services, Inc.

Opinion on the Financial Statement

I have audited the accompanying statement of financial condition of Bagby Financial Services, Inc. as of September 30, 2020, and the related notes (collectively referred to as the financial statement). In my opinion, the statement of financial condition presents fairly, in all material respects, the financial position of Bagby Financial Services, Inc. as of September 30, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This financial statement is the responsibility of Bagby Financial Services, Inc.'s management. My responsibility is to express an opinion on Bagby Financial Services, Inc.'s financial statement based on my audit. I am a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and I am required to be independent with respect to Profor Securities, LLC in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

I conducted my audit in accordance with the standards of the PCAOB. Those standards require that I 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. My 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 statements. My 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. I believe that my audit provides a reasonable basis for my opinion.

Michael T. Remus

I have served as Bagby Financial Services, Inc.'s auditor since 2016.

Michael T. Remus, CPA
Hamilton Square, New Jersey
November 30, 2020

BAGBY FINANCIAL SERVICES, INC.
STATEMENT OF FINANCIAL CONDITION
September 30, 2020

ASSETS

Current Assets

Cash	\$	12,324
Accounts Receivable		364

Total Assets	\$	<u>12,688</u>
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LIABILITIES AND STOCKHOLDER EQUITY

Liabilities

Accounts payable and accrued expenses	\$	-
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Total Liabilities		<u>0</u>
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Stockholder Equity

Common stock - \$0 par value - 300 shares authorized, 200 shares issued, 20 shares outstanding	\$	30,203
Retained earnings		123,934
Less: Treasury stock, 180 shares at cost		(141,449)

Total Stockholder Equity		<u>12,688</u>
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Total Liabilities & Stockholder Equity	\$	<u>12,688</u>
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See accompanying notes.

BAGBY FINANCIAL SERVICES, INC.
Notes to Financial Statements
September 30, 2020

(1) Organization and Nature of Business

Bagby Financial Services, Inc. (the Company) is a Missouri corporation conducting business as securities broker dealer. The Company is registered with the Securities and Exchange Commission (SEC) as a Broker Dealer pursuant to the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority - (“FINRA”).

The Company limits its operations to mutual funds and the placement of variable annuities and variable life insurance policies. The Company holds no customer funds or securities and does not participate in the underwriting of Securities. Accordingly, the Company claims exemption from the requirements of Rule 15c3-3 under Section (k)(2)(i) of the rule.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) unless otherwise disclosed.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

(c) Statement of Cash Flows

For purposes of the statement of cash flows 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. The company has adopted the indirect method of presenting the statement of cash flows in accordance with current authoritative pronouncements. There were no cash equivalents at September 30, 2020. Cash is held at one financial institution and is insured by the Federal Deposit Insurance Corporation.

(d) Revenue Recognition

The Company earns commissions from executing customer transactions in mutual fund securities and variable annuities. The Company recognizes revenue in accordance with ASC Topic 606 as services are rendered and the contracts identified performance obligations have been satisfied. There were no unsatisfied performance obligations at September 30, 2020.

BAGBY FINANCIAL SERVICES, INC.
Notes to Financial Statements
September 30, 2020

(e) Income Taxes

Certain transactions may be subject to accounting methods for federal and state income tax purposes which differ from the accounting methods used in preparing the financial statements. Accordingly, the net income or loss of the Company and the resulting balances in the Company's' capital account reported for federal and state income tax purposes may differ from the balances reported for those same items in these financial statements.

The Company recognizes and measures its unrecognized tax benefits in accordance with ASC Topic 740, Income Taxes. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of the financial reporting period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

Management has determined that the Company has no uncertain tax positions that would require financial statement recognition at September 30, 2020. This determination will always be subject to ongoing evaluation as facts and circumstances may require.

In addition, no income tax related penalties or interest have been recorded for the year ended September 30, 2020.

(f) Advertising and Marketing

Advertising and marketing costs are expensed as incurred.

(g) General and Administrative Expenses

General and administrative costs are expensed as incurred.

(h) Fair Value Hierarchy

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

BAGBY FINANCIAL SERVICES, INC.
Notes to Financial Statements
September 30, 2020

(h) Fair Value Hierarchy - *continued*

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2. Inputs other than quoted prices included in level 1 that are observable for the assets or liability either directly or indirectly.
- Level 3. Inputs are unobservable for the assets or liability.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, the liquidity of markets, and other characteristics particular to the security. To the extent the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining the fair value is greatest for instruments categorized in level 3.

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 falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

For further discussion of fair value, see "Note 5 Fair Value"

(3) **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 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At September 30, 2020, the Company had net capital of \$12,324 which was \$7,324 in excess of its required minimum net capital of \$5,000. The Company's net capital ratio was 0.0000 to 1.

Advances to affiliates, contributions, dividends and other withdrawals are subject to certain notification and other requirements of Rule 15c3-1 and other regulatory rules. The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934. The Company relies on its SEC Rule 15c3-3(k)(2)(i) exemption.

BAGBY FINANCIAL SERVICES, INC.
Notes to Financial Statements
September 30, 2020

(4) Concentrations and Economic Dependency

The Company's revenues are related to commissions as discussed in Note 2 above. There is no assurance of future revenues from such transactions.

The Company maintains its cash at a financial institution in amounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts through September 30, 2020. As of September 30, 2020, there were no cash balances held in any accounts that were not fully insured.

(5) Fair Value

Cash, accounts receivable, accounts payable and other current liabilities (if any) are reflected in the financial statements at carrying value which approximates fair value because of the short-term maturity of these instruments.

(6) Commitments and Contingencies

Pursuant to Securities and Exchange Commission Rule 15c3-1(e)(2) the Company may not authorize dividends to its stockholder if such dividends cause the Company's net capital to fall below 120% of the Company's minimum net capital requirement. As of September 30, 2020, the Company was not in violation of this requirement.

The Company had no lease or equipment rental commitments, no underwriting commitments, no contingent liabilities, and had not been named as a defendant in any lawsuit at September 30, 2020 or during the year then ended.

(7) Related Party Transactions

The Company was wholly owned by the Cathy Elaine Bagby Revocable Trust, a related party. Pursuant to a Broker Dealer Purchase Agreement dated May 15, 2020 the sole shareholder has sold her entire equity interest in the Company as follows; one hundred and eighty shares were redeemed by the Company and the remaining twenty shares were sold to Cross Current Holdings LLC. The transaction is subject to the prior notification to, and final approval of the Company's regulator FINRA pursuant to the rules, as defined.

The Company has an expense sharing agreement with Bagby Investment Consultants, LLC (BIC) a related party through common control in which BIC provides certain management, operating and overhead expenses. These include but are not limited to occupancy and equipment, technology and communications, office expense, supplies, postage, and consulting fees which totaled approximately \$7,532 during the reporting period. BIC has indicated it will not seek reimbursement for these expenses in the future.

(8) Income Tax

The Company has net operating loss carry forwards that may be offset against future taxable income from continuing operations. The loss carryforwards at September 30, 2020 total approximately \$91,000. There is also a capital loss carryforward that can only be used to offset capital gains. The capital loss carryforwards totaled approximately \$26,800.

BAGBY FINANCIAL SERVICES, INC.
Notes to Financial Statements
September 30, 2020

(8) Income Tax - continued

The components of the net deferred tax asset as of September 30, 2020 are as follows:

Deferred tax assets:	
Net operating loss carryforwards	\$24,100
Valuation allowance	<u>(24,100)</u>
Net deferred tax assets	<u>\$0</u>

The following summarizes the income tax provision (benefit):

Current:	
Federal	\$0
State	<u>0</u>
Total current tax expense	0
Deferred:	
Federal	19,100
State	<u>5,000</u>
Net deferred tax assets	24,100
Change in valuation allowance	<u>(24,100)</u>
Total tax provision	<u>\$0</u>

The Company has determined, based upon available evidence, that it is more likely than not that the net deferred tax asset will not be realized and, accordingly, has provided a full valuation allowance.

(9) Anti-Money Laundering Policies and Procedures

The Company is required to implement policies and procedures relating to anti-money laundering, compliance, suspicious activities, and currency transaction reporting and due diligence on customers who open accounts with the Company. At September 30, 2020 the Company had implemented such policies and procedures.

(10) Liabilities Subordinated to Claims of General Creditors

As of September 30, 2020, the Company had not entered into any subordinated liability agreements.

(11) Exemption from Rule 15c3-3

The Company is exempt from the Securities and Exchange Commission Rule 15c3-3 and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers".

BAGBY FINANCIAL SERVICES, INC.
Notes to Financial Statements
September 30, 2020

(12) Regulation

The Company is registered as a broker-dealer with the SEC. The securities industry in the United States is subject to extensive regulation under both federal and state laws. The SEC is the federal agency responsible for the administration of the federal securities laws. Much of the regulation of broker-dealers has been delegated to self-regulatory organizations, such as the Financial Industry Regulatory Authority, which has been designated by the SEC as the Company's primary regulator. These self-regulatory organizations adopt rules, subject to approval by the SEC, that govern the industry and conduct periodic examinations of the Company's operations. The primary purpose of these requirements is to enhance the protection of customer assets. These laws and regulatory requirements subject the Company to standards of solvency with respect to capital and financial reporting requirements.

(13) Evaluation of Subsequent Events

The Company has evaluated subsequent events occurring after the statement of financial condition date through the date of November 30, 2020 which is the date the financial statements were available to be issued. Based on this evaluation, the Company has determined that no material subsequent events have occurred which would be required to be recognized in the financial statements as of September 30, 2020.

(14) Other Events

In March 2020, the World Health Organization (WHO) declared COVID-19 a global pandemic. This pandemic event has resulted in significant business disruption and uncertainty in both global and US markets. The Company, like any other business, is dependent upon functioning supply chains and sustained customer demand for service. While management believes the Company is in an appropriate position to weather the potential short-term effects of these world-wide events, the direct and long-term impact to the Company and its financial statements is undetermined at this time.