

**KAL CAPITAL MARKETS, LLC  
(A California Limited Liability Company)**

**FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2019  
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**Filed pursuant to Rule 17a-5(e)(3) under the Securities Exchange Act of  
1934 as a PUBLIC DOCUMENT**

**KAL CAPITAL MARKETS, LLC**  
**(A California Limited Liability Company)**

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

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

SEC FILE NUMBER  
**8-70053**

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 01/01/2019 AND ENDING 12/31/2019  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **KAL Capital Markets LLC**  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
**100 West Broadway, Suite 205**

OFFICIAL USE ONLY  
FIRM I.D. NO.

**Long Beach** **California** **90802**  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
**Trevor Bohn** **(949) 404-4203**  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**Crowe LLP**

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

**1801 California Street #2200** **Denver** **Colorado** **80202**  
(Address) (City) (State) (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)

## OATH OR AFFIRMATION


I, Trevor Bohn, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of KAL Capital Markets LLC, as of December 31, 2019, 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:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*02-26-2020*  
*See attached document*  
*W*

  
\_\_\_\_\_  
Signature  
2/26/2020  
\_\_\_\_\_  
Title

\_\_\_\_\_  
Notary Public

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (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).

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  
County of Los Angeles

Subscribed and sworn to (or affirmed) before me on this 26<sup>th</sup>  
day of February, 2020, by TIAVOT BERN

proved to me on the basis of satisfactory evidence to be the  
person(s) who appeared before me.



(Seal)

Signature

John M. Trujillo

**Report of Independent Registered Public Accounting Firm**



**Crowe LLP**  
Independent Member Crowe Global

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Members of KAL Capital Markets, LLC  
Long Beach, California

### **Opinion on the Financial Statement**

We have audited the accompanying statement of financial condition of KAL Capital Markets, LLC (the "Company") as of December 31, 2019, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement 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 this 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. 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 of the financial statement provides a reasonable basis for our opinion.

*Crowe LLP*

Crowe LLP

We have served as KAL Capital Markets, LLC's auditor since 2018.

Cleveland, Ohio  
February 25, 2020

**KAL Capital Markets LLC**  
**(A California Limited Liability Company)**  
**Statement of Financial Condition**  
**December 31, 2019**

<b>ASSETS</b>	
Cash	\$ 1,898,320
Right of use asset	89,890
Other assets	2,062
<b>TOTAL ASSETS</b>	<u>\$ 1,990,272</u>
<b>LIABILITIES</b>	
Accrued expenses	\$ 168,460
Deferred revenue	140,000
Other liabilities	5,168
Operating lease liability	90,768
<b>TOTAL LIABILITIES</b>	<u>\$ 404,396</u>
<b>EQUITY</b>	<u>\$ 1,585,876</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 1,990,272</u>

\*See Accompanying Notes to Financial Statement

**KAL Capital Markets LLC**  
**(A California Limited Liability Company)**  
**Notes to Financial Statement**  
**Year Ended December 31, 2019**

**Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***General***

KAL Capital Markets LLC (the "Company") was incorporated in the State of California on December 19<sup>th</sup>, 2016 and on February 15<sup>th</sup>, 2018, approved by the Financial Industry Regulatory Authority ("FINRA") and the Securities Exchange Commission ("SEC") to operate as a broker-dealer under the Securities and Exchange Act of 1934. The Company is a member of the Financial Industry Regulatory Authority ("FINRA"), and the Securities Investor Protection Corporation ("SIPC").

The Company is engaged in the business of conducting investment banking, business valuations and consulting, and private placements. The Company does not hold customer funds or securities.

Under its membership agreement with FINRA and pursuant to Rule 15c3-3(k)(2)(i), the Company does not execute or clear securities transactions for customers. Accordingly, the Company is exempt from the requirement of Rule 15c3-3 under the Securities Exchange Act of 1934 pertaining to the possession or control of customer assets and reserve requirements.

Each member's liability is limited to its respective capital contributions, except as so otherwise required by law. The term of the Company shall continue in perpetuity, unless dissolved as provided in the operating agreement.

***Summary of Significant Accounting Policies***

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

Cash & Cash Equivalents: The Company maintains its cash in bank accounts, which at times, may exceed federally insured limits. Management believes it is not exposed to any significant risk on its cash balances. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At December 31, 2019, the Company had on deposit at a single bank approximately \$1,648,320 in excess of the FDIC insured limit of \$250,000.

Deferred Revenue: Deferred revenue represents amounts billed or collected but not yet earned under existing agreements.

**KAL Capital Markets LLC**  
**(A California Limited Liability Company)**  
**Notes to Financial Statement**  
**Year Ended December 31, 2019**

**Note 2: INCOME TAXES**

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 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 each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change. The Company's management does not believe that any current tax positions would result in an asset or a liability for taxes being recognized in the accompanying financial statements.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax position as a component of income tax expense. As of December 31, 2019, the Company did not have any accrued interest or penalties associated with any unrecognized tax positions, nor was any interest or penalty expense recognized for the year ended December 31, 2019. Tax years subject to examination include 2018 through the current period.

The Company is treated as a pass-through entity for federal income tax purposes, in accordance with limited liability company rules. All tax effects of the Company's income or loss are passed through to the members. Therefore, no provision or liability for Federal income Taxes is included in these financial statements. The Company is subject to California limited liability company minimum annual tax and California limited liability company fees based on the California LLC Taxes and Fees Schedule.

**Note 3: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). ASU 2016-02 requires entities to recognize right-of-use assets and lease liabilities for those leases classified as operating leases under previous GAAP. The Company adopted the new standard effective January 1, 2019. The Company adopted the standard using the modified retrospective approach as described in Note 4. The Company determined that no cumulative-effect adjustment to equity was necessary as part of implementing the modified retrospective approach for its adoption of ASC 842.

**Note 4: LEASE COMMITMENTS**

As described in Note 3 to the financial statements, the Company adopted ASU 2016-02, Leases (Topic 842), effective January 1, 2019. The Company held one operating leases with SRE-OW 100 Broadway Owner, LLC for its office space. This lease term is three years and made effective in April 2018. The lease did not include any renewal or termination options.

**KAL Capital Markets LLC**  
**(A California Limited Liability Company)**  
**Notes to Financial Statement**  
**Year Ended December 31, 2019**

**Note 4: LEASE COMMITMENTS (CONT.)**

Leases with an initial term of 12 months or less would not be recognized on the balance sheet. As of and for the year-ended December 31, 2019, there were no such lease contracts with a term 12 months or less. The Company recognized lease expense for its lease on a straight-line basis over the lease term. The lease agreements included payments based on Consumer Price Index (CPI) on which variable lease payments were determined and included in the right-of-use asset and liability.

Variable lease payments that were not based on CPI were excluded from the right-of-use asset and lease liability and recognized in the period in which the obligations for those payments were incurred. The lease agreement did not contain any material residual value guarantees, restrictions or covenants.

Operating lease right-of-use asset and liability were recognized at commencement date and initially measured based on the present value of lease payments over the defined lease term. The opening balance for both right-of-use asset and lease liability were approximately \$146,000 as of the adoption date of January 1, 2019, and the outstanding balances were \$89,890 and \$90,768, respectively, as of December 31, 2019.

The lease agreement held lease and non-lease components, which are generally accounted for separately. However, the Company elected the practical expedient to not separate non-lease components from lease components for all classes of underlying assets.

In determining the discount rates, since most of the Company's leases do not provide an implicit rate, the Company used the incremental borrowing rate of 7.5% based on the information available at commencement date to calculate the present value of lease payments.

The following table presents the Company's right-of-use asset and lease liability for the period indicated:

	December 31, 2019
Assets	
Total right-of-use assets - Operating leases	\$89,890
Liabilities	
Total lease liabilities - Operating leases	\$90,768

The Company's right-of-use asset and lease liability are included in the Company's Statement of Financial Condition.

**KAL Capital Markets LLC**  
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**Notes to Financial Statement**  
**Year Ended December 31, 2019**

**Note 4: LEASE COMMITMENTS (CONT.)**

Aggregate future minimum lease payments for office space for the two years subsequent to December 31, 2019, through expiration of the lease, are as follows:

Year Ending December 31:

2020	\$ 59,246
2021	<u>\$ 31,522</u>
	\$ 90,768

**Note 5: NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital. Net capital and aggregate indebtedness change day to day, but on December 31, 2019 the Company had net capital of \$1,583,814 which was \$1,562,848 in excess of its required net capital of the greater of \$5,000 or \$20,967 (6-2/3% of \$314,506 aggregate indebtedness) and a ratio of aggregate indebtedness to net capital of 0.20 to 1.00.

**Note 6: DISCRETIONARY PROFIT SHARING PLAN**

The Company has established a discretionary Profit Sharing Plan (the "Plan") for the benefit of its eligible employees. The Plan accepts employer contributions one time during the year and contributions are discretionary as to whom and the amount. During the year ended December 31, 2019, the Company determined to contribute \$139,261 to the Plan and has recorded this amount in Accrued Expenses on its statement of financial condition. The Plan is managed by and under the trusteeship of the Company's members.