

Abner Herrman & Brock, LLC

Financial Statements

December 31, 2020

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

OMB APPROVAL
OMB Number: 3235-0123
Expires: October 31, 2023
Estimated average burden
hours per response..... 12.00

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

SEC FILE NUMBER
8-25549

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 01/01/2020 AND ENDING 12/31/2020
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **ABNER HERRMAN & BROCK, LLC**

OFFICIAL USE ONLY

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

FIRM I.D. NO.

HARBORSIDE 5, 185 HUDSON STREET, SUITE 1640

(No. and Street)

JERSEY CITY

NJ

07311

(City)

(State)

(Zip Code)

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

HOWARD ABNER

201-484-2000

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

LERNER & SIPKIN CPAS, LLP

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

420 LEXINGTON AVENUE, SUITE 2160 NEW YORK

NY

10170

(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, HOWARD ABNER, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ABNER HERRMAN & BROCK, LLC, as of DECEMBER 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:

RAFAEL L. MARTE

Notary Public, State of New York

No. 01MA6026293

Qualified in Bronx County

Commission Expires: June 14, 2023

Howard Abner Signature

CHAIRMAN

Title

Rafael L. Marte 2/19/21 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).

Abner Herrman & Brock, LLC
Statement of Financial Condition
December 31, 2020

ASSETS

Cash and cash equivalents	\$ 1,186,512
Advisory fees receivable	72,606
Fixed assets - net of accumulated depreciation and amortization of \$452,255 (Note 2(d))	81,684
Right-of-use asset	949,537
Other assets	<u>227,402</u>
Total Assets	\$ <u>2,517,741</u>

LIABILITIES AND Members' CAPITAL

Liabilities:

Accounts payable and accrued expenses	\$ 90,478
Operating lease liability	<u>949,537</u>
Total Liabilities	<u>1,040,015</u>

Commitments and Contingencies (Notes 4 and 6)

Capital (Note 7) 1,477,726

Total Liabilities and Members' Capital **\$ 2,517,741**

The accompanying notes are an integral part of this statement.

Abner Herrman & Brock, LLC
Notes to Financial Statements
December 31, 2020

Note 1. Nature of Business

Abner Herrman & Brock, LLC (The "Company") clears all securities transactions through its clearing broker on a fully disclosed basis, and consequently operates under the exemptive provisions of S.E.C. Rule 15c3-3(k)(2)(ii). Also, the Company provides investment advisory services mainly to individual investors.

Note 2. Summary of Significant Accounting Policies

a) ***Revenue Recognition***

Effective January 1, 2018, the Company adopted ASC Topic 606, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), as subsequently amended that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supercedes most recent current revenue recognition requirements, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting for certain incremental costs of obtaining a contract, and costs to fulfill a contract with a customer. The guidance requires an entity to follow a five step model to (a) identify the contracts with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, (e) recognize revenue when or as the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

Revenue is usually recognized at a point in time when a performance obligation is satisfied. The revenues are recognized in accordance with the terms of their applicable contracts in the period in which the services are performed.

Brokerage commissions: The Company buys and sells securities on behalf of its customers. Each time a customer enters into a buy or sell transaction, the Company charges a commission. Commissions and related clearing expenses are recorded on the settlement date basis, generally the third business day following the transaction date. There is no material difference between trade and settlement date.

Investment advisory fees: The Company provides investment advisory services on a daily basis. The Company believes the performance obligation for providing advisory services is satisfied over time because the customer is receiving and consuming the benefits as they are provided by the Company. Fee arrangements are based on a percentage applied to the customer's assets under management. Fees are received quarterly and are recognized as revenue at that time as they relate specifically to the services provided in that period, which are distinct from the services provided in other periods.

Abner Herrman & Brock, LLC
Notes to Financial Statements
December 31, 2020

Note 2. Summary of Significant Accounting Policies (continued)

a) **Revenue Recognition** (continued)

The following table presents revenue by major source.

Revenue from contracts with customers	
Commissions:	
Brokerage commissions	\$ 2,917
Asset management fees:	
Investment advisory fees	6,073,990
Administrative services	<u>537,762</u>
Total revenue from contracts with customers	<u>\$ 6,614,669</u>

b) **Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the Company considers demand deposited money market funds to be cash and cash equivalents. Cash and equivalents include investments with initial maturities of three months or less. The Company maintains its cash balances at credit-worthy financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2020, a total of 463,487 was in excess of FDIC-insured amounts held in financial institutions. There were no cash equivalents at December 31, 2020.

c) **Income Taxes**

Income taxes are not payable by, or provided for, the Company. Members are taxed individually on their share of Company earnings for federal and state income tax purposes.

d) **Property and Equipment**

Property and equipment are depreciated on the straight-line method over an estimated useful life of four to seven years.

Leasehold improvements are recorded at cost and are amortized in accordance with the straight-line method over the length of the lease.

e) **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses.

f) **Subsequent Events**

The Company has evaluated events and transactions that occurred between December 31, 2020 and February 17, 2021, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

Abner Herrman & Brock, LLC
Notes to Financial Statements
December 31, 2020

Note 3. Fixed Assets

Fixed assets consist of the following at December 31, 2020:

Machinery and equipment	\$ 215,252
Furniture and fixtures	211,187
Automobiles	<u>107,500</u>
	533,939
Less: Accumulated depreciation	<u>(452,255)</u>
	\$ <u>81,684</u>

Depreciation expense was \$39,386 for the year ended December 31, 2020.

Note 4. Leases

The Company leases office space pursuant to an operating lease expiring February 28, 2025. The future minimum rental commitments through termination is as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2021	\$ 226,604
2022	239,226
2023	275,936
2024	281,467
2025	<u>47,496</u>
Total minimum lease payments	\$ <u>1,070,729</u>

Pursuant to FASB Accounting Standards Codification ("ASC") 842, regarding leases, which took effect as of the first day of the fiscal year, the Company has reflected a right-of-use asset in the amount of approximately \$949,537 and a lease liability in the amount of \$949,537. There is little impact to the Members' net capital, as the right-of-use asset is allowable to the extent of an offsetting lease liability.

We elected to apply certain practical expedients provided under ASC 842 whereby we will not reassess (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases and (iii) initial direct costs for any existing leases.

Our leases consist of leaseholds on office space. The approach takes into consideration the range of the term, the range of the lease payments, the category of the underlying asset and our estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments.

During the year ended December 31, 2020, due to the leasing of additional office space and the extension of the existing lease, the Company increased its Right to Use Asset and Lease Liability by \$729,202 and incurred \$210,120 towards the amortization of assets included in expenses in the accompanying Statement of Income.

Abner Herrman & Brock, LLC
Notes to Financial Statements
December 31, 2020

Note 5. Profit Sharing Plan

The Company maintains a defined contribution plan covering substantially all employees. The Company contributes annually a match contribution based upon the amount the employees contribute and, at the discretion of management, up to 15% of the eligible compensation. For the year ended December 31, 2020, the Company contributed \$9,142.

Note 6. Financial Instruments with Off-Balance Sheet Credit Risk

As a securities broker, the Company is engaged in buying and selling securities for a diverse group of institutional and individual investors. The Company's transactions are collateralized and are executed with and on behalf of banks, brokers and dealers and other financial institutions. The Company introduces these transactions for clearance to another broker/dealer on a fully disclosed basis.

The Company's exposure to credit risk associated with non-performance of customers in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets which may impair customers' ability to satisfy their obligations to the Company and the Company's ability to liquidate the collateral at an amount equal to the original contracted amount.

The agreement between the Company and its clearing broker provides that the Company is obligated to assume any exposure related to such non-performance by its customers. The Company seeks to control the aforementioned risks by requiring customers to maintain margin collateral in compliance with various regulatory requirements and the clearing brokers internal guidelines. The Company monitors its customer activity by reviewing information it receives from its clearing broker on a daily basis, and requiring customers to deposit additional collateral, or reduce positions when necessary.

Note 7. Net Capital Requirement

The Company is subject to the Securities and Exchange Commission's Net Capital Rule (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 1500%. At December 31, 2020, the Company had net capital of \$1,092,909, which was \$1,086,877 in excess of its required net capital of \$6,032. The Company's net capital ratio was 8.28%.

A copy of the Company's Statement of Financial Condition as of December 31, 2020, pursuant to SEC Rule 17a-5 is available for examination at the Company's office and at the regional office of the Securities and Exchange Commission and the office of the Financial Industry Regulatory Authority.

Abner Herrman & Brock, LLC
Notes to Financial Statements
December 31, 2020

Note 8. Subsequent Events

A coronavirus (COVID-19) was first reported in China. In January 2020, The World Health Organization declared it a Public Health Emergency of International Concern. This contagious disease outbreak, which has continued to spread to additional countries, and any related adverse public health developments, could adversely affect the Company's customers, service providers and supplies as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the outbreak. More broadly, the outbreak could affect workforces, economies and financial markets globally, potentially leading to an economic downturn. The Ultimate impact of the COVID-19 is uncertain. Management continues to monitor the outbreak, however, as of the date of these consolidated financial statements the potential impact of as such on the Company's business and operations cannot be reasonably estimated.

The U.S. enacted the CARES Act which is an economic stimulus package to assist eligible small businesses to cover certain operational costs due to the adverse impact of COVID-19. In addition, the CARES Act included temporary tax law changes to provide additional relief to U.S. businesses and individual taxpayers.



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of
Abner, Herrman & Brock LLC
Harborside 5
185 Hudson Street, Suite 1640
Jersey City, NJ 07311

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Abner, Herrman & Brock LLC as of December 31, 2020, and the related notes (collectively referred to as the financial statement). In our opinion, the statement of financial condition presents fairly, in all material respects, the financial position of Abner, Herrman & Brock LLC as of December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The financial statement is the responsibility of Abner, Herrman & Brock LLC's management. Our responsibility is to express an opinion on Abner, Herrman & Brock LLC'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 Abner, Herrman & Brock 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.

We conducted our audit in accordance with the standards of 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 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.

Lerner & Sipkin CPAs, LLP
Certified Public Accountants (NY)

We have served as Abner, Herrman & Brock LLC's auditor since 1997.

New York, NY
February 17, 2021