

Public



21001644

SION

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

ANNUAL REPORT SECURITIES ACT
 FORM X-17A-5
 PART III

SEC Mail Processing

APR 01 2021

SEC FILE NUMBER
8- 43340

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: Lombard Securities, Incorporated

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
1820 Lancaster Street
(No. and Street)
Baltimore, Maryland 21231
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
William Socha 410-342-1300
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
RW GROUP LLC
(Name - if individual, state last, first, middle name)
400 Old Forge Lane Suite 401 Kennett Square PA 19348-8208
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

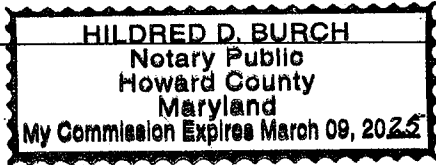
FOR OFFICIAL USE ONLY

*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)

Public

OATH OR AFFIRMATION

I, William Socha, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Lombard Securities, Incorporated, as of December 31, 20 20, 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:



Hildred D. Burch
Notary Public

William Socha
Signature
Chief Financial Officer
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).

Public

**LOMBARD SECURITIES INCORPORATED
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AND INDEPENDENT
AUDITORS' REPORT
DECEMBER 31, 2020**

Public

**LOMBARD SECURITIES INCORPORATED AND SUBSIDIARIES
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020**

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Condition	2
Notes to Consolidated Financial Statements	3-6

Public



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
of Lombard Securities, Inc.

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Lombard Securities, Inc. 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 Lombard Securities, Inc. as of December 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 Lombard Securities, Inc.'s management. Our responsibility is to express an opinion on Lombard Securities, Inc.'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 Lombard Securities, Inc. in accordance with the U.S. federal securities law 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. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial position, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial position presentation. We believe that our audit provides a reasonable basis for our opinion.

RW Group, LLC

We have served as Lombard Securities, Inc.'s auditor since 2015.
Kennett Square, Pennsylvania
March 31, 2021

Public

LOMBARD SECURITIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2020

ASSETS

	<u>2020</u>
Cash and Cash Equivalents	\$ 1,503,292
Cash Held for the Exclusive Benefit of Customers	150
Receivable from Clearing Firm	348,416
Commissions and Fees Receivable	98,321
Investment Securities	-
Prepaid Expenses	55,096
Furniture and Equipment – Net	8,301
Clearing Deposit	101,472
Other Assets	324,183
	<hr/>
Total Assets	<u>\$ 2,439,231</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Compensation Payable	\$ 407,986
Accounts Payable and Accrued Liabilities	344,604
Paycheck Protection Program Loan	127,700
	<hr/>
Total Liabilities	<u>\$ 880,290</u>

STOCKHOLDERS' EQUITY

Common Stock (\$.01 Par Value 100,000 Shares Authorized, 26,819 Issued and 24,739 Outstanding)	268
Additional Paid-in Capital	1,535,890
Retained Earnings	114,614
Treasury Stock	(91,831)
	<hr/>
Total Stockholders' Equity	<u>\$ 1,558,941</u>

Total Liabilities and Stockholders' Equity	<u>\$ 2,439,231</u>
--	---------------------

Public

LOMBARD SECURITIES INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – ORGANIZATION

Lombard Securities Incorporated (the “Company”) was incorporated in the State of Maryland in July, 1990 and is a securities broker-dealer located in Baltimore, Maryland. The Corporation is registered with the Securities and Exchange Commission (SEC), is a member of Financial Industry Regulatory Authority (FINRA), Securities Investors Protection Corporation (SIPC) and the Municipal Securities Rulemaking Board (MSRB).

Lombard Agency, Inc., a wholly-owned subsidiary, was incorporated in the State of Maryland in January, 1991 as an insurance brokerage agency.

Lombard Advisers Incorporated, a wholly-owned subsidiary, was incorporated in the State of Maryland in August, 1994 as an investment adviser.

The Company is subject to the provisions of Rule 15c3-3 of the Securities and Exchange Commission. However, the Company operates pursuant to the exemptive provisions of Paragraphs (k)(2)(i) and (k)(2)(ii) of Rule 15c3-3. This prohibits the Company from carrying customer margin accounts, or otherwise holding customer funds or securities, or performing custodial duties with respect to customers’ securities. It also requires the Company to promptly deliver all customer funds and securities related to mutual fund transactions and to transact all customer securities transactions through a special reserve bank account for the exclusive benefit of its customers. 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. 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 broker/dealer.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated statements of financial condition, income, changes in stockholders’ equity, and cash flows include the accounts of the Company and its wholly owned subsidiaries, Lombard Agency, Inc. and Lombard Advisers Incorporated. All significant intercompany balances and transactions between the Company and its subsidiaries have been eliminated in the consolidation.

Revenue Recognition – The Company recognizes revenue on a trade date basis. The Company’s business consists of trade commissions, gross credits on riskless principal trades, prospectus dictated mutual funds, annuity credits, trails paid on mutual funds and annuity contracts. Each of the revenue recognitions on these sources is recorded on a trade date basis. The Company also receives investment advisory fees recorded on a quarterly basis. Revenue is recognized in the month that fees are charged to clients. The Company does not receive performance fees in an investment advisory capacity. The Company does not engage in investment banking, mergers and acquisition activities or private placements.

Cash and Cash Equivalents - The Company considers highly liquid investments with original maturities of one year or less to be cash equivalents.

Public

LOMBARD SECURITIES INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Securities Owned - Securities owned are valued at their fair market value, determined from quoted market prices.

Property and Equipment - Furniture and equipment are stated at cost net of \$266,838 accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, usually 3 to 5 years. Depreciation expense for the year ended December 31, 2020 was \$5,335.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Income Taxes - Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred income taxes are provided for temporary differences arising between the tax basis of assets and liabilities and their respective book basis as reported in the financial statements. No deferred tax assets have been recorded in the accompanying balance sheet due to the uncertainty of realization. In general the prior three years tax returns filed with various taxing agencies are open to examination.

Supplemental Cash Flow Disclosure - \$45,640 cash was paid for income taxes and no interest was paid during the year ended December 31, 2020.

Operating Leases - On January 1, 2019, the Company adopted the provisions of ASU 2016-02, Leases (Topic 842). Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will either be classified as finance or operating, with classification affecting the pattern of expense recognition in the income statement.

NOTE 3 - COMMISSIONS RECEIVABLE

Commissions receivable represent amounts due to the Company from its clearing broker relating to client securities transactions introduced by the Company and amounts due from mutual funds and insurance companies.

NOTE 4 - CLAIMS AND ASSESSMENTS

The Company is generally engaged in ongoing legal matters.

Public

LOMBARD SECURITIES INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 - OFF-BALANCE-SHEET RISK

A clearing broker/dealer carries all of the accounts of the clients of the Company and is responsible for execution, collection and payment of funds, and receipt and delivery of securities related to client transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that clients may be unable to fulfill their contractual commitments wherein the 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 clients and verify that client transactions are executed properly by the clearing broker/dealer.

NOTE 6 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform 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 15 to 1. The rule also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio exceeds 10 to 1. At December 31, 2020, the Company is in compliance with this rule.

Lombard Advisers Incorporated, a wholly-owned subsidiary of the Company, is required to compute net capital pursuant to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1) on a stand-alone basis. At December 31, 2020, Lombard Advisers Incorporated had net capital of \$145,713.

NOTE 7 - LEASE COMMITMENTS

The Company has entered into a lease for office facilities which expires on March 31, 2022. In addition to the base rent specified in the lease, it is subject to escalation based on increases in real estate tax and operating expenses. Future minimum lease payments required under this operating lease exclusive of those escalations are as follows:

2021		122,835
2022		<u>30,838</u>
Total	\$	<u>153,673</u>

Rent expense for the year ended December 31, 2020 was \$130,255.

NOTE 8 - EMPLOYEE RETIREMENT PLAN

The Company has an employee retirement plan whereby the Company matches a portion of the contributions made by the employees. All employees meeting certain age and service requirements are eligible to participate in the plan. The Company matched amount as of December 31, 2020 was \$11,111.

LOMBARD SECURITIES INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

Public

NOTE 9 - ADVERTISING

Advertising costs are expensed as incurred. For the year ended December 31, 2020 costs were \$0.

NOTE 10 – PAYCHECK PROTECTION PROGRAM LOAN

On May 6, 2020 Lombard Securities, Incorporated applied for and received a \$127,700 Paycheck Protection Program Loan through Shore United Bank. For the year ended December 31, 2020 the loan was still outstanding. An application for the loan forgiveness will be applied for in 2021. The loan is a two year loan with 1 percent annual interest rate which is deferred up to 10 months following the forgiveness covered period.

NOTE 11 – RISKS AND UNCERTAINTIES

During the 2020 calendar year, the World Health Organization has declared the outbreak of the corona virus (“Covid-19”) to constitute a “Public Health Emergency of International Concern”. This pandemic has disrupted economic markets and the economic impact, duration and spread of the Covid-19 virus is uncertain at this time. The financial performance of the Company is subject to future developments related to the Covid-19 outbreak and possible government advisories and restrictions placed on the financial markets and business activities. The impact of financial markets and the overall economy, all of which are highly uncertain, cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period the Company’s results may be materially affected. The financial statement does not include any adjustments that might result from the outcome of the uncertainty.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 31, 2021, the date on which the financial statements were available to be issued. No events have occurred since the balance sheet date that would have material impact on financial statements.