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

Washington DC
416

SEC FILE NUMBER
8-32775

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 1/1/2020 AND ENDING 12/31/2020
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Inland Securities Corporation

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
2901 Butterfield Road

Oak Brook (No. and Street) IL 60523
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Catherine L. Lynch (630) 218-8000
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG LLP

200 E. Randolph Drive (Name - if individual, state last, first, middle name) Chicago IL 60601
(Address) (City) (State) (Zip Code)

CHECK ONE:

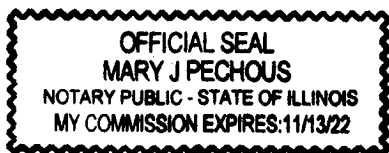
- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

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, Catherine L. Lynch, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Inland Securities Corporation, 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:



Mary J. Pechous
Notary Public

Catherine L. Lynch
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...
(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).

INLAND SECURITIES CORPORATION
(Wholly Owned by Inland Real Estate Investment Corp.)

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INLAND SECURITIES CORPORATION
(Wholly Owned by Inland Real Estate Investment Corp.)

Statement of Financial Condition

December 31, 2020

Assets

Cash and cash equivalents	\$	6,024,737
Commissions receivable		136,661
Prepaid expenses		358,573
Operating lease right-of-use asset, net		230,681
Current income tax receivable		254,261
Deferred tax assets		95,566
Fixed assets (net)		115,987
Total Assets	\$	<u><u>7,216,466</u></u>

Liabilities and Stockholder's Equity

Liabilities:

Commissions payable	\$	2,195,572
Accounts payable and accrued expenses		1,260,064
Deferred tax liability		93,969
Operating lease liability		258,187
Total Liabilities		<u><u>3,807,792</u></u>

Stockholder's Equity:

Common stock, \$.01 par value. Authorized 10,000 shares; issued and outstanding 1,000 shares		10
Additional paid-in capital		54,752,253
Retained deficit		<u>(51,343,589)</u>
Total Stockholder's Equity		<u><u>3,408,674</u></u>

Total Liabilities and Stockholder's Equity	\$	<u><u>7,216,466</u></u>
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See accompanying notes to financial statements.

INLAND SECURITIES CORPORATION
(Wholly Owned by Inland Real Estate Investment Corp.)

Statement of Operations

Year ended December 31, 2020

Revenues:		
Commissions, dealer fees, and placement agent fees (note 4)	\$	11,608,306
Interest and other income		<u>14,949</u>
Total revenues		<u>11,623,255</u>
Expenses:		
Commissions		6,127,606
Employee compensation and benefits		9,233,360
Marketing and travel		2,119,528
Interest expense - leases		11,656
Depreciation and amortization		28,955
Other operating expenses		<u>2,750,534</u>
Total expenses		<u>20,271,639</u>
Loss before income tax benefit		(8,648,384)
Income tax benefit		<u>2,416,582</u>
Net loss	\$	<u><u>(6,231,802)</u></u>

See accompanying notes to financial statements.

INLAND SECURITIES CORPORATION
(Wholly Owned by Inland Real Estate Investment Corp.)

Statement of Changes in Stockholder's Equity

Year ended December 31, 2020

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained deficit</u>	<u>Total stockholder's equity</u>
Balance at December 31, 2019	\$ 10	48,002,253	(45,111,787)	2,890,476
Capital contributions	—	6,750,000	—	6,750,000
Net loss	—	—	(6,231,802)	(6,231,802)
Balance at December 31, 2020	\$ <u>10</u>	<u>54,752,253</u>	<u>(51,343,589)</u>	<u>3,408,674</u>

See accompanying notes to financial statements.

INLAND SECURITIES CORPORATION
(Wholly Owned by Inland Real Estate Investment Corp.)

Statement of Cash Flows

Year ended December 31, 2020

Cash flows from operating activities:	
Net loss	\$ (6,231,802)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	40,612
Lease amortization	35,759
Changes in assets and liabilities:	
Current income tax receivable	(165,915)
Commissions receivable	91,379
Prepaid expenses	(47,911)
Operating lease liability	(37,342)
Deferred tax assets	(95,566)
Deferred tax liability	93,969
Commissions payable	388,237
Accounts payable and accrued expenses	301,776
Net cash used in operating activities	<u>(5,626,804)</u>
Cash flows from investing activity:	
Purchase of fixed assets	<u>(39,265)</u>
Net cash used in investing activity	<u>(39,265)</u>
Cash flows from financing activity:	
Capital contributions	<u>6,750,000</u>
Net cash provided by financing activity	<u>6,750,000</u>
Net increase in cash and cash equivalents	1,083,931
Cash and cash equivalents at beginning of year	<u>4,940,806</u>
Cash and cash equivalents at end of year	<u>\$ 6,024,737</u>
Supplemental disclosure:	
Amounts received pursuant to the Company's tax sharing agreement	\$ 2,250,000

See accompanying notes to financial statements.

INLAND SECURITIES CORPORATION
(Wholly Owned by Inland Real Estate Investment Corp.)

Notes to Financial Statements

December 31, 2020

(1) General Information and Summary of Significant Accounting Policies

Inland Securities Corporation (the Company) is registered as a broker and dealer in securities under the Securities Exchange Act of 1934. Inland Real Estate Investment Corp. (IREIC), as the sole stockholder, is committed to funding cash flow needs of the Company in the normal course of business. The Inland Group, LLC (Inland) is the ultimate parent.

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could subsequently differ from such estimates.

A description of significant accounting policies is as follows:

(a) Revenue Recognition

Revenue is recognized upon transfer of control of promised services to customers in an amount that reflects consideration to which the Company expects to be entitled in exchange for those services (the "transaction price"). The Company enters into contracts that can include multiple services, which are accounted for separately if they are determined to be distinct.

In connection with the marketing of investment programs, commissions, dealer fees, and placement agent fees are based upon a percentage of a third-party investment in the related interest. For financial reporting and income tax purposes, these commissions and fees are earned, and the related expense is incurred at the time the third-party investment is accepted by the offering party. The Company believes that the performance obligation is satisfied on such because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon and the risks and rewards of ownership have been transferred to/from the customer.

Commissions and fees from the sale of private placement interests includes selling commissions, dealer fees for coordinating the marketing of the interests, and placement agent fees, all of which are earned at the time of the sale of the interests and are a percentage of the gross cash proceeds of the sale of the interests. Commissions and fees from the sale of shares of public offerings includes selling commissions, dealer manager fees, marketing fees, and stockholder servicing fees, all of which are earned at the time of the sale of the shares. Selling commissions, dealer manager fees, and stockholder servicing fees are a percentage of the gross cash proceeds of the sale of the shares. Marketing fees are a percentage of the net cash proceeds of the sale of the shares. The Company serves as the primary broker and dealer to the investment programs and receives fees from the investment programs for the services of providing marketing services to the investment programs. The marketing fee is received from an affiliated entity that is the advisor to the public offering. The Company recognized the dealer, placement agent, and marketing fees in the Company's statement of operations.

INLAND SECURITIES CORPORATION
(Wholly Owned by Inland Real Estate Investment Corp.)

Notes to Financial Statements

December 31, 2020

For contracts with customers, the Company has the ability to involve a third-party broker in providing services to the customer for which a commission is charged, however the Company generally does not have the discretion in such pricing reallocated to the third-party broker. In such services, the Company is not deemed to be the principal in these arrangements, and accordingly, presents the revenue net of the related costs.

The table below summarizes dealer fees, placement agent fees, and marketing fees for the year ended December 31, 2020.

	Dealer fees	Placement Agent Fees	Marketing fees	Total
Private placements	455,018	10,800,736	-	11,255,754
Public offerings	-	-	352,552	352,552
Total revenues	455,018	10,800,736	352,552	11,608,306

(b) Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all investments with an original maturity of three months or less to be a cash equivalent. The Company's cash equivalents approximate fair value due to the short-term nature of these financial instruments.

(c) Income Taxes

The Company is included in the consolidated federal and combined unitary state income tax returns of Inland. Federal income taxes are calculated as if the Company filed on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from Inland. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates.

The Company recognizes and measures its unrecognized tax benefits, if any, 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.

Deferred tax assets and liabilities, if any, are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date.

INLAND SECURITIES CORPORATION
(Wholly Owned by Inland Real Estate Investment Corp.)

Notes to Financial Statements

December 31, 2020

the year ended December 31, 2020. In the opinion of management, the aforementioned administrative costs and rent are believed to be reasonable; however, it is not necessarily indicative of the expense the Company may have incurred on its own account.

(5) Income Taxes

The Company is party to a tax-sharing agreement between Inland and IREIC, which provides that income tax expense or benefit be reflected on a separate company basis. The Company recorded a \$2,417,512 federal and Illinois income tax benefit and \$930 of other state tax expense for the year ended December 31, 2020. The federal and Illinois income tax benefit consists of a \$2,415,915 current tax benefit, and a \$1,597 deferred tax benefit. At the beginning of the year, the Company had an income tax receivable from IREIC of \$88,346 relating to the unreimbursed income tax benefits for the year ending December 31, 2019. The Company received payments of \$2,250,000 from IREIC representing payment by IREIC of the aforementioned \$88,346 and available current tax benefit of \$2,415,915. The remaining income tax benefits provided by the Company that were not reimbursed by IREIC in the amount of \$254,261 were recorded as a current income tax receivable as of December 31, 2020. The income tax benefit for the year ended December 31, 2020 was computed by applying an estimated combined tax rate of 28.51% to pretax loss, exclusive of permanent differences, for the period from January 1, 2020 through December 31, 2020.

Deferred income tax expense results entirely from the tax effect of temporary differences. Temporary differences relating to long-term operating leases arise due to the differences in the recognition of lease expense for GAAP purposes and income tax purposes. Deferred tax assets relating to deferred compensation are due to the timing of deductibility of compensation expense for income tax purposes compared to GAAP. Deferred tax liabilities relating to furniture and equipment are due to differences in depreciation deductions for both GAAP and income tax purposes. The tax effects of such temporary differences at December 31, 2020 are summarized below:

Deferred tax assets:		
Long-term operating lease liabilities	\$	73,609
Deferred compensation		21,957
Total deferred tax assets		95,566
Deferred tax liabilities:		
Operating lease right-of-use asset		(65,767)
Furniture and equipment		(28,202)
Total deferred tax liabilities		(93,969)
Net deferred tax assets	\$	1,597

Income tax benefit from operations for the year ended December 31, 2020 differs from “expected” tax benefit (computed by applying the U.S. federal income tax rate of 21% for the year ended December 31, 2020, to pretax loss) principally due to the effect of state and local income taxes (net of federal benefit and permanent

INLAND SECURITIES CORPORATION
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Notes to Financial Statements

December 31, 2020

differences). As of December 31, 2020, there was no valuation allowance, as management believes it is more likely than not that the deferred tax assets will be realized through future operations. The Company had no unrecognized tax benefits as of December 31, 2020.

(6) Leases

The Company entered into two leases during 2019 for office space and a copier in Atlanta, GA. The lease term under the office space is 65 months and the lease term for the copier is 36 months. At commencement of the leases, the Company considered the lease terms and the lease classification and determined that both leases are operating leases. The Company recorded a lease liability and a corresponding ROU asset on its statement of financial condition at commencement of the leases of \$320,027. The lease liability was based on the present value of the leases' future lease payments using an interest rate of 6.77% which represents the incremental borrowing rate of IREIC, as the Company has no borrowings and IREIC guaranteed the Company's performance under the lease.

Lease payments to be made in the future by the Company under these leases are as follows:

Year ending December 31:	Lease Payment
2021	75,024
2022	76,668
2023	78,147
2024	73,691
\$	303,530

(7) Subsequent Events

Subsequent events were evaluated through February 25, 2021, the date on which the financial statements were issued, and the Company determined that there are no items to account for or disclose.

INLAND SECURITIES CORPORATION
(Wholly Owned by Inland Real Estate Investment Corp.)

Computation of Net Capital under Rule 15c3-1
of the Securities and Exchange Commission

December 31, 2020

Stockholder's equity		\$ 3,408,674
Deductions:		
Nonallowable assets:		
Commissions receivable		136,661
Prepaid expenses		358,573
Current income tax receivable		254,261
Deferred tax assets		95,566
Fixed assets (net)		<u>115,987</u>
Total deductions		<u>961,048</u>
Net capital		2,447,626
Minimum net capital required to be maintained (greater of \$5,000 or 6-2/3% of aggregate indebtedness)		<u>238,474</u>
Excess net capital		<u>\$ 2,209,152</u>
Aggregate indebtedness		\$ 3,577,111
Ratio of aggregate indebtedness to net capital		1.46

A reconciliation is not necessary pursuant to Rule 17a-5(d)(4) as no material differences exist between the computations made by the independent auditor based on the audited financial statements and the broker-dealer's amended Form X-17A-5 IIA filing with the Financial Industry Regulatory Authority on February 22, 2021

See accompanying report of independent registered public accounting firm.

INLAND SECURITIES CORPORATION
(Wholly Owned by Inland Real Estate Investment Corp.)

Computation for Determination of Customer Reserve Requirements and
PAB Accounts Reserve Requirements under Rule 15c3-3 of the Securities and Exchange Commission

December 31, 2020

The Company does not claim an exemption for the provision of Rule 15c3-3 of the Securities Exchange Act of 1934 under Section (k) of 17 C.F.R. 240.15c3-3, as the Company is relying on Footnote 74 of the SEC Release No. 34-70073 adopting amendments to 17 C.F.R. 240.17a-5 because the Company limited its business activities exclusively to a broker or dealer selling tax shelters, limited partnership, and real estate investment trusts in primary distributions on best efforts or all or none basis, and the Company (1) did not directly or indirectly receive, hold, or otherwise owe funds or securities for or to customers, (other than money or other consideration received and promptly transmitted in compliance with paragraph (a) or (b)(2) of Rule 15c2-4); (2) did not carry accounts of or for customers; and (3) did not carry PAB accounts (as defined in Rule 15c3-3) throughout the most recent fiscal year 2020 from January 1, 2020 to December 31, 2020 without exception.

See accompanying report of independent registered public accounting firm.

INLAND SECURITIES CORPORATION
(Wholly Owned by Inland Real Estate Investment Corp.)

Information Related to Possession or Control Requirements under
Rule 15c3-3 of the Securities and Exchange Commission

December 31, 2020

The Company does not claim an exemption for the provision of Rule 15c3-3 of the Securities Exchange Act of 1934 under Section (k) of 17 C.F.R. 240.15c3-3, as the Company is relying on Footnote 74 of the SEC Release No. 34-70073 adopting amendments to 17 C.F.R. 240.17a-5 because the Company limited its business activities exclusively to a broker or dealer selling tax shelters, limited partnership, and real estate investment trusts in primary distributions on best efforts or all or none basis, and the Company (1) did not directly or indirectly receive, hold, or otherwise owe funds or securities for or to customers, (other than money or other consideration received and promptly transmitted in compliance with paragraph (a) or (b)(2) of Rule 15c2-4); (2) did not carry accounts of or for customers; and (3) did not carry PAB accounts (as defined in Rule 15c3-3) throughout the most recent fiscal year 2020 from January 1, 2020 to December 31, 2020 without exception.

See accompanying report of independent registered public accounting firm.



This report is intended solely for the information and use of the specified parties referred to in the first paragraph of this report, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Chicago, Illinois
February 25, 2021