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Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

Washington, DC

FILING FOR THE PERIOD BEGINNING 01/01/23 AND ENDING 12/31/23
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: Kipling Capital, Inc.

TYPE OF REGISTRANT (check all applicable boxes):

☒ Broker-dealer ☐ Security-based swap dealer ☐ Major security-based swap participant
☐ Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

100 Shoreline Highway, Suite 200B

(No. and Street)

Mill Valley

(City)

California

(State)

94941

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

F. Randall Bigony

(Name)

(415) 339-4080

(Area Code - Telephone Number)

randy@kiplingcapital.com

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

Ernst Wintter & Associates LLP

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

675 Ygnacio Valley Blvd, Suite A200

(Address)

Walnut Creek

(City)

California

(State)

94596

(Zip Code)

February 24, 2009

(Date of Registration with PCAOB)(if applicable)

3438

(PCAOB Registration Number, if applicable)

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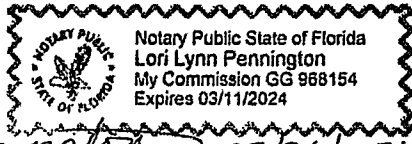
* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, F. Randall Bigony, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Kipling Capital, Inc., as of December 31, 2023, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.


Notary Public



Signature: 

Title: President and Chairman

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

- ☒ (a) Statement of financial condition.
- ☒ (b) Notes to consolidated 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 cash flows.
- ☐ (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- ☐ (f) Statement of changes in liabilities subordinated to claims of creditors.
- ☐ (g) Notes to consolidated financial statements.
- ☐ (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- ☐ (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- ☐ (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- ☐ (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- ☐ (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- ☐ (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- ☐ (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- ☐ (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- ☐ (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- ☒ (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- ☐ (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☒ (t) Independent public accountant's report based on an examination of the statement of financial condition.
- ☐ (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- ☐ (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- ☐ (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- ☐ (z) Other: _____

****To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.**

Kipling Capital, Inc.

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Report of Independent Registered Public Accounting Firm

To the Stockholders
Kipling Capital, Inc.

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Kipling Capital, Inc. (the “Company”) as of December 31, 2023, 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, 2023 in conformity with accounting principles generally accepted in the United States of America.

Restatement of Previously Issued Financial Statements – Correction of an Error

As discussed in Note 10 to the financial statement, the 2022 financial statements have been restated to correct an error, which resulted in retained earnings being restated as of January 1, 2023.

Basis for Opinion

This financial statement is the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’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 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 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.

Ernst Winter & Associates LLP

We have served as Kipling Capital, Inc.’s auditor since 2007.
Walnut Creek, California
February 28, 2024

Kipling Capital, Inc.

Statement of Financial Condition

December 31, 2023

Assets	
Cash	\$ 913,493
Accounts receivable	9,084,678
Other receivable	34,535
Other assets	84,110
Property and equipment, net of \$339,325 of accumulated depreciation	21,238
Operating lease right-of-use asset	437,363
Total Assets	\$ 10,575,417
Liabilities and Stockholders' Equity	
Liabilities	
Accounts payable and accrued expenses	\$ 25,294
Due to stockholders	412,917
Deferred tax liability, net	87,700
Operating lease liability	473,724
Total Liabilities	999,635
Stockholders' Equity	
Common stock (no par value; 10,000,000 shares authorized; 410,000 shares issued and outstanding)	4,100
Retained earnings	9,571,682
Total Stockholders' Equity	9,575,782
Total Liabilities and Stockholders' Equity	\$ 10,575,417

The accompanying notes are an integral part of this financial statement.

Kipling Capital, Inc.

Notes to the Financial Statement

December 31, 2023

1. Organization

Kipling Capital, Inc. (the "Company") is a broker-dealer in securities primarily engaged in the sale of direct participation programs ("DPPs") to high net worth individuals, families and trusts ("Kipling Clients"). The DPPs are offered and managed by investment managers ("Investment Managers") that are selected by the Company and entered into a selling agreement with the Company. Compensation is received from the Investment Managers pursuant to the selling agreements and solely for the offering and sale of securities. Compensation consists of placement fees earned when commitments are accepted and capital contributions are made during or at the end of an investment period (the "Commission revenue"), plus a trailing commission earned over time (the "Investor servicing fee"), plus a performance fee (the "Carried interest income") received as a percentage of the profits earned by the Investment Managers. The Company is registered with the Securities and Exchange Commission as a securities broker dealer. The Company is subject to various governmental rules and regulations including the net capital rule set forth in Rule 15c3-1 of the Securities Exchange Act of 1934.

2. Significant Accounting Policies

Use of Estimates

The preparation of the financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities that represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts. The Company has no financial instruments required to be valued at fair value on a recurring basis.

Cash and Cash Equivalents

The Company considers all demand deposits held in banks and certain highly liquid investments with original maturities of three months or less, other than those held for sale in the ordinary course of business, to be cash and cash equivalents. As of December 31, 2023, there were no cash equivalents held by the Company.

Accounts Receivable

Accounts receivable represents amounts that have been earned in accordance with the terms of the Company's agreements with respective Investment Managers that have not yet been collected. The Company accounts for estimated credit losses on financial assets measured at an amortized cost basis in accordance with FASB ASC 326-20, *Financial Instruments - Credit Losses*. FASB ASC 326-20 requires the Company to estimate expected credit losses over the life of its financial assets as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts.

Kipling Capital, Inc.

Notes to the Financial Statement

December 31, 2023

2. Significant Accounting Policies (*continued*)

Accounts Receivable (*continued*)

The Company records the estimate of expected credit losses as an allowance for credit losses. For financial assets measured at an amortized cost basis the allowance for credit losses is reported as a valuation account on the Statement of Financial Condition that is deducted from the asset's amortized cost basis. Per management's analysis, no allowance for credit losses was considered necessary as of December 31, 2023. See additional information at Note 5.

Property & Equipment

Property and equipment are valued at cost. Depreciation is being provided by the use of the straight-line method over estimated useful lives of the assets ranging from three to five years.

Leases

At inception, the Company determines if an agreement constitutes a lease and, if so, whether the lease is an operating or finance lease. Leases that have terms of one year or less are deemed short term and are expensed on a straight-line basis over the term of the lease. Operating leases that exceed one year are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on the Statement of Financial Condition. Finance leases that exceed one year are included in property and equipment and other liabilities on the Statement of Financial Condition. For the year ended December 31, 2023, the Company had one long term operating lease and no finance leases.

Income Taxes

The Company, with the consent of its stockholders, has elected under the Internal Revenue Code to be treated as an S corporation. In lieu of corporate income taxes, the Company's income or loss is generally passed through to the stockholders' federal and state individual income tax returns. However, the Company is liable for California Franchise Tax on S corporations at a 1.5% rate.

The Company is no longer subject to state income tax examination by authorities for years before 2019.

3. Related Party Transactions

Individual stockholders of the Company and Kipling Investors, LLC ("Kipling Investors"), a commonly owned entity, invest in various projects promoted by the Company on the same terms and conditions as other clients with the Investment Managers. Some of the members of Kipling Investors are also stockholders of the Company.

The Company earns Carried interest income from the offering of securities which, pursuant to the terms of the Employment Agreements of the stockholders, are payable to the stockholders in the form of a bonus based on each stockholder's percentage ownership of the Company at the time of the offering. As of December 31, 2023, the stockholders were owed \$283,317 of carried interest.

As of December 31, 2023, due to stockholders consists of carried interest payable of \$283,317 and pass-through entity taxes payable on behalf of the stockholders of \$129,600.

Kipling Capital, Inc.

Notes to the Financial Statement

December 31, 2023

4. Revenue from Contracts with Customers

Contract Balances

Income is recognized upon completion of the related performance obligation and when an unconditional right to payment exists. The timing of revenue recognition may differ from the timing of the Investment Manager payments. Fees received prior to the completion of the performance obligation are recorded as deferred revenue on the Statement of Financial Condition until such time when the performance obligation is met. There was no deferred revenue as of January 1, 2023 and December 31, 2023.

Alternatively, a receivable is recognized when a performance obligation is met prior to receiving payment from an Investment Manager. The Company had receivables related to revenue from contracts with Investment Managers of \$9,396,219 and \$9,084,678 at January 1, 2023 and December 31, 2023, respectively.

Contract Costs

Costs to obtain a contract or fulfill a contract are evaluated under the criteria for capitalization on a contract by contract basis. There were no capitalized contract costs at December 31, 2023.

5. Accounts Receivable

At December 31, 2023, accounts receivable consists of the following:

Commission receivable	\$ 6,820,334
Fixed investor servicing fees receivable	1,721,900
Variable investor servicing fees receivable	259,127
Carried interest receivable	283,317
Total accounts receivable	\$ 9,084,678

Commission receivable is expected to be collected either as Investment Managers make capital calls to Kipling Clients or at the end of the commitment period. The collections are based on the size of the capital calls. Collection of the entire receivable balance could take multiple years. Accounts receivable balances relating to commission revenue at January 1, 2023 were either fully or partially collected during 2023 and there is no indication that the full amount remaining at December 31, 2023 will not be collected. Fixed investor servicing fees are typically collected over 20 calendar quarters following the final close date of the fund or when the Investment Manager stops accepting subscriptions, whichever is earlier. Variable investor fees are collected over the life of the investment, typically within thirty days from invoicing. Carried interest receivable are collected soon after the fees are realized.

Kipling Capital, Inc.

Notes to the Financial Statement

December 31, 2023

6. Income Taxes

The Company accounts for income taxes in accordance with generally accepted accounting principles which requires recognition of deferred tax assets or liabilities for the expected future tax consequences of events that are included in the financial statements and tax returns in different periods. Deferred tax assets and liabilities of the Company are primarily the result of using the cash method of accounting for tax purposes and the accrual method of accounting for financial statement purposes. The Company's net deferred tax liabilities as of December 31, 2023 are as follows:

	State	Total
Deferred tax asset	\$ 11,100	\$ 11,100
Deferred tax liability	(98,800)	(98,800)
Net deferred tax liability	\$ (87,700)	\$ (87,700)

7. Leases

Operating lease ROU assets represent the Company's right to use an underlying asset for the lease term. Lease liabilities represent the Company's obligation to make lease payments arising from the operating leases. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Payments made for lease incentives are excluded. Since the Company's leases do not provide an implicit rate, the Company's uses its incremental borrowing rate. The incremental borrowing rate is based on the estimated rate of interest for a collateralized borrowing over a similar term of the lease payments at commencement date. Lease expense for lease payments is recognized on a straight-line basis over the lease terms. The Company has a lease agreement with lease and non-lease components. Such non-lease components are accounted for separately.

The Company has an operating lease for office space in Mill Valley, California. As of December 31, 2023, the remaining lease term for the Mill Valley office space was forty months. For the year ended December 31, 2023, information pertaining to the lease was as follows:

Supplemental Statement of Financial Condition Information

Operating lease:	
ROU asset	\$ 437,363
Operating lease liability	\$ 473,724
Remaining lease term	40 months
Discount rate	5.00%

Kipling Capital, Inc.

Notes to the Financial Statement

December 31, 2023

7. Leases (continued)

Maturities of Operating Lease Liability	
2024	\$ 148,792
2025	153,256
2026	157,853
2027	53,933
Total lease payments	513,834
Less discount	(40,110)
Total operating lease liability	\$ 473,724

8. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission's uniform net capital rule (Rule 15c3-1) which requires the Company to maintain a minimum net capital equal to or greater than \$5,000 and a ratio of aggregate indebtedness to net capital not exceed 15 to 1, both as defined. At December 31, 2023, the Company's net capital was \$724,738 which exceeded the requirement of \$37,485 by \$687,253.

9. Risk Concentration

Financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of cash and cash equivalents. For the year ended December 31, 2023, the Company maintains cash balances which, at times, may exceed federally insured limits. The Company has not experienced any losses on its cash deposits.

As of December 31, 2023, 82% of accounts receivable was due from five Investment Managers.

10. Prior Period Adjustment – Correction of an Error

In 2023, during a final closing reconciliation with an investment manager, the Company discovered investor commitments that were not included in its investor servicing fee calculation for one offering as of December 31, 2022. The omission in the prior year resulted in an understatement of investor servicing fee revenue, accounts receivable and retained earnings as of and for the year ended December 31, 2022 totaling \$523,000. The financial statements as of and for the year ended December 31, 2023 include a \$523,000 adjustment to beginning retained earnings and investor servicing fee revenue. There was no change to net capital as a result of the adjustment.

11. Subsequent Events

The Company has evaluated subsequent events through February 28, 2024, the date which the financial statements was issued, and determined no events require disclosure.