



# **ICBA Securities Corporation**

Statements of Financial Condition

December 31, 2021

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

## TABLE OF CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	<b>Page</b> 1
FINANCIAL STATEMENTS	
Statements of Financial Condition	2
Notes to Financial Statements	3-9

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder and Those Charged with Governance of  
ICBA Securities Corporation

### Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of ICBA Securities Corporation (the “Company”) as of December 31, 2021, 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, 2021, 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 provides a reasonable basis for our opinion.

*WithumSmith+Brown, PC*

We have served as the Company’s auditor since 2021.

February 28, 2022

## **FINANCIAL STATEMENTS**

# ICBA SECURITIES CORPORATION

## Statements of Financial Condition

December 31, 2021

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### ASSETS

Cash and cash equivalents	\$ 1,023,717
Receivables from VSIBG:	
Program payments	125,000
Program reimbursements	58,573
Income tax receivable from parent	8,018
Prepaid expenses and other assets	7,706
Equipment, at cost, net of accumulated depreciation	<u>12,011</u>
 Total assets	 <u>\$ 1,235,025</u>

### LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities	
Trade payables	\$ 293
Income tax payable due to parent	-
Due to related parties	122,649
Accrued expenses	41,130
Royalties payable:	
State independent banker associations	220,001
ICBA	<u>22,891</u>
Total liabilities	<u>406,964</u>
 Stockholder's equity	
Common stock, no par value; 100 shares authorized, issued and outstanding	70,000
Additional paid-in capital	65,000
Retained earnings	<u>693,061</u>
Total stockholder's equity	<u>828,061</u>
 Total liabilities and stockholder's equity	 <u>\$ 1,235,025</u>

See Notes to Financial Statements

# ICBA SECURITIES CORPORATION

## Notes to Financial Statements

December 31, 2021

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### NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Business*

ICBA Securities Corporation (the Company) is a wholly owned subsidiary of ICBA Services Network, Inc. (ISN), which is a wholly owned subsidiary of ICBA Consolidated Holdings, Inc. (ICBACH), which is a wholly owned subsidiary of Independent Community Bankers of America (ICBA), a not-for-profit trade association serving member financial institutions throughout the United States.

The Company provides community banks with access to industry educational opportunities, marketing and promotes other services provided by ISN, and markets and promotes the brand of the Company's exclusively endorsed broker-dealer, Vining Sparks IBG, L.P. (VSIBG). The Company is registered with the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA) and the Municipal Securities Rulemaking Board (MSRB).

#### *Exemption from Rule 15C3-3*

The Company is subject to Rule 17a-5 of the SEC and, does not claim an exemption under paragraph (k) of 17 C.F.R. § 240.15c-3, and relies on footnote 74 of the SEC release No 34-70073 adopting amendments to 17 C.F.R. § 240.17a-5.

#### *Basis of Financial Statement Presentation*

These financial statements are presented in U.S. dollars and have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), pursuant to the rules and regulations regarding financial reporting of the SEC. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet date, and revenues and expenses for the period. Actual results could differ from those estimates.

#### *Cash and Cash Equivalents*

The Company includes all cash accounts and all highly liquid investments purchased with a maturity of three months or less as cash and cash equivalents. The Company maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

# ICBA SECURITIES CORPORATION

## Notes to Financial Statements

December 31, 2021

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### NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

#### *Revenue Recognition and Receivables*

In accordance with ASU 606, *Revenue from Contracts with Customers*, the Company completed a five-step analysis in determining when and how revenue is recognized. Entities are required to (1) identify the contracts with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. This ASU also requires additional disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The new revenue standards significantly expands current disclosure requirements related to judgement associated with revenue recognition due to the importance placed on revenue by financial statement users.

Revenue from contracts with customers includes royalty revenue. The recognition and measurement of revenue is based on the assessment of individual contract terms. Significant judgement is required to determine whether performance obligations are satisfied at a point in time or over time; how to allocate transaction prices where multiple performance obligations are identified; when to recognize revenue based on the appropriate measure of the Company's progress under the contract and whether the constraints on variable consideration should be applied to uncertain future events.

The Company's analysis of the timing of revenue recognition for each revenue stream is based upon analysis of current contract terms. Performance obligations could, however, change from time to time if and when the Company's existing contracts are modified, or the Company entered into new contracts. These changes could potentially affect the timing of satisfaction of performance obligations, the determination of the transaction price, and the allocation of the price to performance obligations. Revenue from contracts with customers include the program agreement and the expense sharing agreement and the change of control payment.

# ICBA SECURITIES CORPORATION

## Notes to Financial Statements

December 31, 2021

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### **NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

(Continued)

The Company is under an agreement with VSIBG, the program agreement, in which the Company earns a flat amount of program revenue annually, received monthly. The transaction price consists of the annual revenue amount of \$1,500,000. The Company believes that the performance obligation is satisfied over the contract period and the revenue is recognized on the straight-line basis over the contract term. Revenue is recognized monthly when the program revenue is received, as performance obligations for both parties are satisfied with normal operating activities. The Company is also under agreement with VSIFG in an expense agreement. The contract includes specific reimbursement amounts for normal operating expenses including compensation, bonuses and taxes as well as other reimbursements detailed in the agreement. The Company believes the performance obligations are satisfied at the point in time that the expenses are incurred therefore, the reimbursements for expenses are recognized as revenue when the expense is incurred by the Company in accordance with the agreement with VSIBG as all performance obligations are satisfied with normal operating activities.

During 2021, VSIBG was acquired by Stifel Financial Inc. The Company received a \$5,000,000 change of control payment as per the program agreement. The Company believes the revenue should be recognized as revenue when the funds were received as no performance obligations were attached to the payment other than change of ownership. Change of ownership occurred in October 2021 with no other obligations to be satisfied by either party.

During 2021, the Company earned \$1,500,000 in revenue from activities as a result of the program agreement with VSIBG and \$520,848 in relation to the expenses sharing agreement.

The Company had receivables associated with revenue from contracts with customers at December 31, 2021 from the program agreement of \$125,000 and from the expense sharing agreement of \$58,573.

The Company had receivables associated with revenue from contracts with customers at January 1, 2021 from the program agreement of \$125,000 and from the expense sharing agreement of \$16,075.

The Company has no contract assets or contract liabilities as of January 1, 2021 or December 31, 2021.

No additional disclosures are required to disaggregate revenue since revenue is disaggregated in the statements of operations.



# ICBA SECURITIES CORPORATION

## Notes to Financial Statements

December 31, 2021

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### NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

#### *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 certain 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *Allowance for Credit Losses*

On January 1, 2020, the Company adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized costs, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. The Company does not hold any loan receivables or debt securities and management has determined the off-balance sheet credit risk exposure is considered minimal. The Company has not experienced any such losses, and as such, no reserve allowance is recorded on the books.

#### *Income Taxes*

The Company files as part of a consolidated federal tax return. Accordingly, income taxes payable to the tax authority are recognized on the financial statements of the parent Company, ICBACH, who is the taxpayer for income tax purposes. The Company makes payments to the parent Company for its allocated share of the consolidated income tax liability. This allocation approximates the amount that would be reported if the Company was separately filing its tax return. The result of this allocation is reported on the accompanying statements of operations as “federal and state income taxes.” In addition, the Company files its state income tax return on a separate basis.

# ICBA SECURITIES CORPORATION

## Notes to Financial Statements

December 31, 2021

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### NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company's management has evaluated the impact of this guidance to its financial statements. The Company is not aware of any material uncertain tax positions and has not accrued the effect of any uncertain tax positions as of December 31, 2021. There are no timing differences creating any deferred tax assets or liabilities. The effective tax rates for years ending December 31, 2021 was 19.7% for federal tax purposes and 6.5% for state tax purposes. The statutory rate for federal is 21% for the year ending December 31, 2021 and 6.5% for state taxes for the year ending December 31, 2021. These effective rates differ from the statutory rates for permanent book to tax differences. The Company's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date they were filed. The Company's policy is to classify income tax related interest and penalties, if any, in interest expense and penalties expense, respectively.

As of December 31, 2021, the Company had a related party income tax receivable due from the parent in the amount of \$8,018.

#### *Concentration of Risk*

The Company derives 100% of its revenue from one customer and whose accounts receivable represent 100% of the Company's total accounts receivables. Management has identified other providers that would be able to provide these services if the single customer was unwilling or unable to provide services to the Company.

### NOTE 2. RELATED-PARTY TRANSACTIONS

ISN has an Administrative Services Agreement with ICBA and its subsidiaries, for the provision of various administrative support including accounting, HR, IT, and other general administrative services. The agreement renews annually unless one party provides the other with written notice of nonrenewal at least 90 days prior to the end of the term. ISN has charged the Company for administrative expenses paid for by ISN under the agreement, which totaled \$386,954 for the year ended December 31, 2021.

ISN and ICBA periodically pay other direct expenses which are charged back to the Company. These other direct expenses include items such as program, marketing and other administrative services. The amount charged as other direct expense relating to ISN totaled \$43,385 for the year ended December 31, 2021. The amount charged as other direct expenses relating to ICBA totaled \$553,914 for the year ended December 31, 2021.

# ICBA SECURITIES CORPORATION

## Notes to Financial Statements

December 31, 2021

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### NOTE 2. RELATED-PARTY TRANSACTIONS (Continued)

ICBA and the Company have a license agreement for the use of the logo, approval of the use of the logo, as well as any promotional and advertising materials in exchange for a royalty payment of 15% of operating revenue as defined in the agreement. The agreement is for a term of two years that expires December 31, 2022, automatically renews for an additional two-year term unless written notice by either party is provided within 90 days of the end of the term. The amount charged to expense totaled \$882,839 for the year ended December 31, 2021.

On December 31, 2021, The Company had a related party payable due to ICBA in the amount of \$53,105 for direct expenses and \$22,891 for license agreements resulting in a total amount of \$75,996.

On December 31, 2021, the amount outstanding due to ISN was \$69,544.

The Company declared a dividend to ISN during 2021 in the amount of \$3,250,000.

### NOTE 3. ROYALTIES – STATE INDEPENDENT BANKER ASSOCIATIONS

The Company pays the various supporting state independent banker associations a royalty for their endorsement of the Company's services. The royalty is subjective and subject to certain adjustments and is paid semiannually. The amount charged to expense totaled \$440,000 for the year ended December 31, 2021.

### NOTE 4. COMMITMENTS AND CONTINGENCIES

#### *Net Capital Requirements*

The Company is subject to the SEC's Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of a minimum amount of 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 would exceed 10 to 1. The Company's net capital ratio, net capital and excess net capital were as follows:

	Years ended December 31,
	<u>2021</u>
Net capital ratio	.660 to 1
Net capital	\$ 616,753
Excess net capital	\$ 589,622

# ICBA SECURITIES CORPORATION

## Notes to Financial Statements

December 31, 2021

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### **NOTE 5. SUBSEQUENT EVENTS**

The COVID-19 pandemic, whose effects first became known in January 2020 is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Company is closely monitoring the impact of the COVID-19 pandemic on its operations and business models. At this stage, the impact has not been material and as vaccines become more widely available, we expect the overall environment to improve. Management is closely monitoring key economics factors and is committed to continue to operate in the safest way possible without jeopardizing the health and well being of its workforce.

The Company has evaluated all events subsequent to December 31, 2021 through February 28, 2022 which is the date these financial statements were available to be issued. The Company has determined there are no subsequent events that require adjustment to, or disclosure in the financial statements.