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

SEC  
Mail Processing  
Section

~~X~~ MAR 02 2017

SEC FILE NUMBER
8-69188

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

Washington DC  
416

REPORT FOR THE PERIOD BEGINNING 01/01/2016 AND ENDING 12/31/16  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Robinhood Financial, LLC

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

3200 Ash Street

PALO ALTO

(No. and Street)

CA

(State)

94306

(Zip Code)

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

Jason Lyons

916-436-0291

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Breard & Associates, Inc., Certified Public Accountants

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

9221 Corbin Avenue, Suite 170

Northridge

CA

91324

(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)

SEC 1410 (06-02)

Potential 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.

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OATH OR AFFIRMATION

I, Scott I Friedman, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Robinhood Financial, LLC, as of February 28, 2017, 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:

[Handwritten Signature]
Signature
President and Chief Compliance Officer
Title

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(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).

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of
County of

Subscribed and sworn to (or affirmed) before me on this \_\_\_ day of \_\_\_, \_\_\_ by \_\_\_ proved to me on the basis of satisfactory evidences to be the person who appeared before me.

Notary Public

JURAT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of SANTA CLARA

Subscribed and sworn to (or affirmed) before me on this 28<sup>th</sup> day of February, 2017, by SCOTT L. FRIEDMAN

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.



(Seal)

Signature

*[Handwritten signature]*

Optional information. This certificate is attached to:

Title or type of document: SAINT - U.S. S.E.C. Annual Audit Report Form X-17-A-S Part III

Number of pages: 21

Date of document: AS OF FEBRUARY 28, 2017

Signer(s) other than named above: NONE

Notary phone number: 650-290-3550 or 408-355-3700



Report of Independent Registered Public Accounting Firm

Member  
Robinhood Financial, LLC

We have audited the accompanying statement of financial condition of Robinhood Financial, LLC as of December 31, 2016, and the related statements of operations, changes in member's equity, and cash flows for the year then ended. These financial statements are the responsibility of Robinhood Financial, LLC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation of the overall financial statement presentation. We believe that our audit provides a basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Robinhood Financial, LLC as of December 31, 2016, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

The information contained in Schedule I and II (supplemental information) has been subjected to audit procedures performed in conjunction with the audit of Robinhood Financial, LLC's financial statements. The supplemental information is the responsibility of Robinhood Financial, LLC's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, Schedules I and II are fairly stated, in all material respects, in relation to the financial statements as a whole.

Breard & Associates, Inc.  
Certified Public Accountants

Oakland, California  
February 24, 2017

**Robinhood Financial, LLC**  
**Statement of Financial Condition**  
**December 31, 2016**

**Assets**

Cash	\$ 4,186,727
Due from Broker	1,551,123
Executing broker receivables	1,054,528
Prepaid expenses	319,384
Property & equipment, net	<u>858,663</u>
<b>Total assets</b>	<b>\$ <u>7,970,425</u></b>

**Liabilities and Member's Equity**

**Liabilities**

Account payable and accrued expenses	\$ 379,602
Intercompany payable	1,467,750
Deferred revenue	<u>219,807</u>
<b>Total liabilities</b>	<b>2,067,158</b>

Commitments and contingencies

**Member's equity**

Member's equity	<u>5,903,267</u>
<b>Total member's equity</b>	<b><u>5,903,267</u></b>
<b>Total liabilities and member's equity</b>	<b>\$ <u>7,970,425</u></b>

*The accompanying notes are an integral part of these financial statements.*

**Robinhood Financial, LLC**  
**Notes to Financial Statements**  
**December 31, 2016**

**NOTE 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization*

Robinhood Financial, LLC (the "Company") was organized in the State of Delaware on August 13, 2012. The Company is a registered broker-dealer in securities under the Securities and Exchange Act of 1934. The Company is a member of the Financial Industry Regulatory Authority ("FINRA"), and the Securities Investor Protection Corporation ("SIPC"), and is registered with the Municipal Securities Rulemaking Board ("MSRB").

The Company, (a non-exchange member) as a fully disclosed member, brokers online transactions using its mobile technology in listed equity securities, over-the-counter securities, corporate debt securities, mutual funds, and equity options. Retail customers have electronic access to Robinhood Financials electronic trading platform(s). Transactions are unsolicited; The Company works in an agency capacity and records transactions in securities and commission revenue and expenses on the trade-date basis.

Under its membership agreement with FINRA and pursuant to Rule 15c3-3(k)(2)(ii), the Company is exempt from the requirement of Rule 15c3-3 under the Securities Exchange Act of 1934 pertaining to the possession or control of customer assets and reserve requirements.

*Summary of Significant Accounting Policies*

The presentation 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Payments for order flow are accrued in the same period in which the related securities transactions are completed or related services are rendered.

To the extent that our customers are billed for subscription products, revenue is recognized in the period the service is provided. The Company records deferred revenue when it receives payments in advance of the delivery of the service.

Property and equipment are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life

*The accompanying notes are an integral part of these financial statements.*

**Robinhood Financial, LLC**  
**Notes to Financial Statements**  
**December 31, 2016**

**NOTE 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized.

The Company capitalizes certain cost incurred in developing internal-use software when capitalization requirements have been met. Costs prior to meeting the capitalization requirements are expensed as incurred.

The Company is treated as a disregarded entity for federal income tax purposes, in accordance with single member limited liability company rules. All tax effects of the Company's income or loss are passed through to the member. Therefore, no provision or liability for Federal Income Taxes is included in these financial statements.

The Company has adopted authoritative standards of accounting for and the disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. These standards require the Company to recognize in the financial statements the effects of all recognized subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. For non-recognized subsequent events that must be disclosed to keep the financial statements from being misleading, the Company is required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such estimate cannot be made. In addition, the Company is required to disclose the date through which subsequent events have been evaluated. The Company has evaluated subsequent events through the issuance of their financial statements (See Note 9).

**NOTE 2: DEPOSIT AT CLEARING FIRM**

The Company has a brokerage agreement with its clearing firm to carry its account and the accounts of its clients as customers of the clearing firm. The clearing firm has custody of the Company's cash balances which serve as collateral for any amounts due to the clearing firm as well as collateral for securities sold short or securities purchased on margin. Interest is paid monthly on these cash deposits at the average overnight repurchase rate. The balance at December 31, 2016 was \$1,000,678.

**NOTE 3: INCOME TAXES**

As discussed in the Summary of Significant Accounting Policies (Note 1), all tax effects of the Company's income or loss are passed through to the member. Therefore, no provision or liability for Federal Income Taxes is included in these financial statements.

*The accompanying notes are an integral part of these financial statements.*

**Robinhood Financial, LLC**  
**Notes to Financial Statements**  
**December 31, 2016**

**NOTE 4: PROPERTY & EQUIPMENT, NET**

Property and equipment are recorded net of accumulated depreciation and summarized by major classification as follows:

		Useful Life
Property & Equipment	\$ 4,242	5
Capitalized Software	<u>1,467,750</u>	
	1,471,991	
Less: accumulated depreciation	<u>(613,329)</u>	
Property & equipment, net	<u>\$ 858,662</u>	

Depreciation expense for the year ended December 31, 2016 was \$613,274.

Capitalized costs are included in property, plant and equipment, net, and amortized on a straight-line basis over the useful life of the software included in depreciation and amortization on the statement of operations. The Company capitalized \$1.468 million of internally developed for the year ended December 31, 2016, and recognized \$612,687 of amortization expense during the year ended December 31, 2016.

**NOTE 5: RELATED-PARTY TRANSACTIONS**

Pursuant to an expense sharing agreement, the Company reimburses Robinhood Markets, Inc an affiliated entity (the "Affiliate") for rent, payroll, technology, information services, and other occupancy expenses. Included is expense sharing agreement in the amount of \$2,494,849 charged by this Affiliate for the year ended December 31, 2016. From time to time, these expenses and other expenses may be forgiven at the sole discretion of the Parent company. In 2016, the Parent had forgiven \$3,146,358 of expenses.

In 2016, the Company purchased four internally developed software projects from Robinhood Markets, Inc. totaling \$1.468 million.

It is possible that the terms of certain of the related party transactions are not the same as those that would result for transactions among wholly unrelated parties.

*The accompanying notes are an integral part of these financial statements.*



**Robinhood Financial, LLC**  
**Notes to Financial Statements**  
**December 31, 2016**

**NOTE 6: COMMITMENTS AND CONTINGENCIES**

*Contingencies*

The Company maintains bank accounts at financial institutions. These accounts are insured either by the Federal Deposit Insurance Commission ("FDIC"), up to \$250,000, or the Securities Investor Protection Corporation ("SIPC"), up to \$500,000. At times during the year, cash balances held in financial institutions were in excess of the FDIC and SIPC's insured limits. The Company has not experienced any losses in such accounts and management believes that it has placed its cash on deposit with financial institutions which are financially stable.

*Commitments*

In the normal course of business, the Company could be threatened with, or named as a defendant in, lawsuits, arbitrations, and administrative claims. Such matters that are reported to regulators such as the SEC or FINRA and investigated by such regulators, may, if pursued, result in formal arbitration claims being filed against the Company and/or disciplinary action being taken against the Company by regulators. Any such claims or disciplinary actions that are decided against the Company could harm the Company's business. The Company is also subject to periodic regulatory audits and inspections which could result in fines or other disciplinary actions. Unfavorable outcomes, in such matters, may result in a material impact to the Company's financial position, statement of income or cash flows. As of December 31, 2015, management is not aware of any commitments or contingencies that could have a material impact on the financial statements.

**NOTE 7: GUARANTEES**

FASB ASC 460, Guarantees, requires the Company to disclose information about its obligations under certain guarantee arrangements. FASB ASC 460 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying factor (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. This guidance also defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of indebtedness of others.

*The accompanying notes are an integral part of these financial statements.*

**Robinhood Financial, LLC**  
**Notes to Financial Statements**  
**December 31, 2016**

**NOTE 8: CONCENTRATION OF CREDIT RISK**

The Company is engaged in various trading and brokerage activities in which counter-parties primarily include broker-dealers, banks, and other financial institutions. In the event counter-parties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counter-party or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counter-party.

**NOTE 9: SUBSEQUENT EVENTS**

The Company has evaluated events subsequent to the balance sheet date for items requiring recording or disclosure in the financial statements. The evaluation was performed through the date the financial statements were available to be issued. Based upon this review, the Company has determined that there were no events which took place that would have a material impact on its financial statements.

**NOTE 10: RECENTLY ISSUED ACCOUNTING STANDARDS**

For the year ending December 31, 2016, various ASUs issued by the FASB were either newly issued or had effective implementation dates that would require their provisions to be reflected in the financial statements for the year then ended. The Company has either evaluated or is currently evaluating the implications, if any, of each of these pronouncements and the possible impact they may have on the Company's financial statements. In most cases, management has determined that the pronouncement has either limited or no application to the Company and, in all cases, implementation would not have a material impact on the financial statements taken as a whole.

**NOTE 11: NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC 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. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. Net capital and aggregate indebtedness change day to day, but on December 31, 2016, the Company had net capital of \$3,641,948 which was \$3,469,962 in excess of its required net capital of \$137,811; and the Company's ratio of aggregate indebtedness (\$2,067,158) to net capital was .57 to 1.

*The accompanying notes are an integral part of these financial statements.*



ROBINHOOD

Securities offered through  
Robinhood Financial, LLC. member FINRA & SIPC

## Assertions Regarding Exemption Provisions

We, as members of management of Robinhood Financial, LLC. (“the Company”), are responsible for compliance with the annual reporting requirements under Rule 17a-5 of the Securities Exchange Act of 1934. Those requirements compel a broker or dealer to file annual reports with the Securities Exchange Commission (SEC) and the broker or dealer’s designated examining authority (DEA). One of the reports to be included in the annual filing is an exemption report prepared by an independent public accountant based upon a review of assertions provided by the broker or dealer. Pursuant to that requirement, the management of the Company hereby makes the following assertions:

### **Identified Exemption Provision:**

The Company claims exemption from the custody and reserve provisions of Rule 15c3-3 by operating under the exemption provided by Rule 15c3-3, Paragraph (k)(2)(ii).

### **Statement Regarding Meeting Exemption Provision:**

The Company met the identified exemption provision without exception throughout the period ending January 1, 2016 through December 31, 2016.

**Robinhood Financial, LLC.**

By:

Scott I. Friedman  
President and Chief Compliance Officer

February 24, 2017