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

SEC FILE NUMBER
<del>8-36588</del> RMS

AUG 28 2017

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

8-30558

REPORT FOR THE PERIOD BEGINNING 07/01/16 AND ENDING 06/30/17  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: SATURNA BROKERAGE SERVICES, INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
1300 NORTH STATE STREET

BELLINGHAM WA 98225  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
JAMES S. GIBSON (360) 734-9900  
(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
MOSS ADAMS, LLP

2219 RIMLAND DRIVE, STE 215 BELLINGHAM WA 98226  
(Address) (City) (State) (Zip Code)

Securities and Exchange Commission  
Trading and Markets

AUG 28 2017

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CHECK ONE:

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

<b>FOR OFFICIAL USE ONLY</b>

\*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)

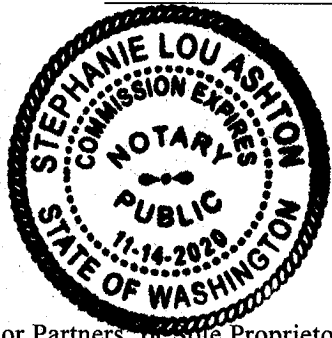
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OATH OR AFFIRMATION

I, JAMES S. GIBSON, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SATURNA BROKERAGE SERVICES, INC. of AUGUST 24, 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:

James Gibson
Signature
CHIEF FINANCIAL OFFICER
Title

Stephanie Lou Ashton
Notary Public



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).

Report of Independent Registered Public Accounting Firm  
and Financial Statements with Supplementary Schedules for

**Saturna Brokerage Services, Inc.**

(A wholly owned subsidiary of  
Saturna Capital Corporation)

June 30, 2017 and 2016

# **SATURNA BROKERAGE SERVICES, INC.**

(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)

**ANNUAL REPORT**

*FOR THE FISCAL YEAR ENDED JUNE 30, 2017*

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**MOSS ADAMS** LLP  
Certified Public Accountants | Business Consultants

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder  
Saturna Brokerage Services, Inc.

We have audited the accompanying statements of financial condition of Saturna Brokerage Services, Inc. (the "Company") as of June 30, 2017 and 2016, and the related statements of operations and comprehensive loss, changes in stockholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are 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 financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saturna Brokerage Services, Inc. as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The information in Schedule I has been subjected to audit procedures performed in conjunction with the audit of Saturna Brokerage Services, Inc.'s financial statements. The information in Schedule I is the responsibility of Saturna Brokerage Services, Inc.'s management. Our audit procedures include determining whether the information in Schedule I 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 Schedule I. In forming our opinion on the information in Schedule I, we evaluated whether the information in Schedule I, including its form and content is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the information in Schedule I is fairly stated in all material respects in relation to the financial statements as a whole.

*Mon Adams LLP*

Bellingham, Washington  
August 24, 2017

**SATURNA BROKERAGE SERVICES, INC.**

(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**Statements of Financial Condition****ASSETS**

	June 30,	
	2017	2016
Cash and cash equivalents	\$933,656	\$1,112,414
Investment securities, at fair value	1,427,059	1,404,369
Receivable from Saturna Capital	536,731	417,210
Deposit with clearing organization	100,000	100,000
Prepaid expenses	31,347	28,279
Deferred tax asset	61,250	-
<b>TOTAL ASSETS</b>	<b>\$3,090,043</b>	<b>\$3,062,272</b>

**LIABILITIES AND SHAREHOLDER'S EQUITY****LIABILITIES**

Mutual fund distribution fees payable	\$1,077,763	\$1,282,722
Accounts payable and accrued expenses	35,732	38,359
Payable to affiliated companies	21,651	18,200
<b>Total current liabilities</b>	<b>1,135,146</b>	<b>1,339,281</b>

**SHAREHOLDER'S EQUITY**

Common stock, \$10 par value, 100,000 shares authorized; issued and outstanding 80,500 and 70,500 shares at June 30, 2017 and 2016	805,000	705,000
Additional paid-in capital	6,864,716	5,964,716
Accumulated deficit	(5,714,819)	(4,974,089)
Accumulated other comprehensive income	-	27,364
<b>Total shareholder's equity</b>	<b>1,954,897</b>	<b>1,722,991</b>

**TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY**

<b>\$3,090,043</b>	<b>\$3,062,272</b>
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**SATURNA BROKERAGE SERVICES, INC.**

(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**Statements of Operations and Comprehensive Loss**

	Years Ended June 30,	
	2017	2016
REVENUES		
Mutual fund distribution fees	\$5,855,868	\$6,775,532
Brokerage commission fees	139,721	40,869
Investment income	50,054	35,102
Other income	9,033	7,047
Total	<u>6,054,676</u>	<u>6,858,550</u>
EXPENSES		
Mutual fund distribution fees	6,570,361	7,374,125
Compensation expense	226,721	211,490
Market data and information services	2,269	3,722
Brokerage clearing and trading	292,060	224,128
General and administrative	89,337	89,768
Occupancy expenses	27,525	17,465
Professional services	31,352	31,512
Other	117	125
State and city taxes	30,055	28,119
Total	<u>7,269,797</u>	<u>7,980,454</u>
LOSS BEFORE INCOME TAXES	(1,215,121)	(1,121,904)
Current income tax benefit	413,141	381,447
Deferred income tax benefit	61,250	-
NET LOSS	<u>\$(740,730)</u>	<u>\$(740,457)</u>
OTHER COMPREHENSIVE INCOME (LOSS):		
Change in OCI before reclassifications	\$(25,160)	\$17,279
Amounts reclassified from AOCI	(2,204)	-
Other comprehensive income (loss)	<u>\$(27,364)</u>	<u>\$17,279</u>
COMPREHENSIVE LOSS	<u>\$(768,094)</u>	<u>\$(723,178)</u>



**SATURNA BROKERAGE SERVICES, INC.****(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)****ANNUAL REPORT****FOR THE FISCAL YEAR ENDED JUNE 30, 2017****Statements of Shareholder's Equity**

	<u>Common Stock</u>		Additional Paid-in Capital	Accumulated Deficit	AOCI	Total Shareholder's Equity
	Shares out	Amount				
BALANCE, June 30, 2015	70,500	\$705,000	\$5,964,716	\$(4,233,632)	\$10,085	\$2,446,169
Comprehensive loss:						
Net loss	-	-	-	(740,457)	-	(740,457)
Unrealized holding gains	-	-	-	-	17,279	17,279
BALANCE, June 30, 2016	70,500	\$705,000	\$5,964,716	\$(4,974,089)	\$27,364	\$1,722,991
Common stock issuance	10,000	100,000	900,000	-	-	1,000,000
Comprehensive loss:						
Net loss	-	-	-	(740,730)	-	(740,730)
Unrealized holding losses	-	-	-	-	(27,364)	(27,364)
BALANCE, June 30, 2017	<u>80,500</u>	<u>\$805,000</u>	<u>\$6,864,716</u>	<u>\$(5,714,819)</u>	<u>\$-</u>	<u>\$1,954,897</u>

**SATURNA BROKERAGE SERVICES, INC.**

(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**Statements of Cash Flows**

	Years ended June 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$(740,730)	\$(740,457)
Adjustment to reconcile net income to net cash provided by operating activities		
Reinvestment of dividend income	(31,613)	(35,102)
Unrealized gains on trading securities	(18,441)	
Provision for deferred taxes	(61,250)	-
Changes in operating assets and liabilities		
Receivable from Saturna Capital	(119,521)	47,558
Prepaid expenses	(3,068)	693
Accounts payable and accrued expenses	(207,586)	(450,830)
Payable to affiliates	3,451	(232)
Net cash flows from operating activities	<u>(1,178,758)</u>	<u>(1,178,370)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of common stock	<u>1,000,000</u>	<u>-</u>
Net cash flows from financing activities	<u>1,000,000</u>	<u>-</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(178,758)</u>	<u>(1,178,370)</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,112,414</u>	<u>2,290,784</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$933,656</u></u>	<u><u>\$1,112,414</u></u>

# SATURNA BROKERAGE SERVICES, INC.

(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

## Notes to Financial Statements

### **Note 1 – Summary of Significant Accounting Policies**

**Organization** – Saturna Brokerage Services, Inc. (the “Company” or “SBS”) was organized under the laws of the state of Washington on September 2, 1986 as a broker-dealer. The Company is a wholly owned subsidiary of Saturna Capital Corporation (“Saturna”).

**Basis of presentation** – The accompanying financial statements have been prepared on the accrual basis of accounting.

**Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the financial statements; and the amounts of revenues and expenses reported during the period under review. Actual results could differ from those estimates.

**Cash and cash equivalents** – For purposes of the statements of financial condition and cash flows, SBS considers all short-term investments with an original maturity of three months or less to be cash equivalents. Saturna Brokerage Services maintains an account with one financial institution that is insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. Balances in the Company bank account exceeded the federal insurance limits; however, Saturna Brokerage Services has not experienced any losses with respect to its bank balances in excess of government-provided insurance, and management believes that the Company is not vulnerable to excessive risk on its cash balances.

**Investment securities** – Saturna Brokerage Services holds investments in securities classified as trading securities and reported at fair value in accordance with FASB ASC 320, *Investments – Debt and Equity Securities*. Trading securities are investments that are acquired and held primarily for selling in the near term. Per *ASC Topic 940, Financial Services – Brokers and Dealers*, investments held by registered broker-dealers are, by definition, trading securities. The unrealized gains or losses associated with these security positions are included in Investment Income (Loss) on the Statements of Operations and Comprehensive Loss.

During the reporting period, the Company’s investments were reclassified as trading securities from available-for-sale securities. At the time of the reclassification, the unrealized position (\$2,204) on these securities was recognized in Investment Income. Previously, unrealized gains and losses on these investments had been included in accumulated other comprehensive income (loss) until realized. During its fiscal year ended June 30, 2017, gross trading gains included in net income amounted to \$21,365 and gross trading losses to \$2,924.

# SATURNA BROKERAGE SERVICES, INC.

(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FASB ASC 820 *Fair Value Measurement* establishes a three-level hierarchy of fair value measurement. Level 1 includes assets that have an active market providing an objective, quoted value for each unit. Level 2 assets are those where there is no active market in the same assets, but where there are parallel markets or other means for estimating fair value using observable information. Level 3 fair values refer to valuations based on data that is unavailable to parties outside the entity. The fair value hierarchy places the highest priority on unadjusted quoted prices in active markets for identical assets (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). Investments consist of equity and fixed income mutual funds managed by an affiliate and are classified as Level 1 securities.

**Receivables** – Receivables of the Company consist primarily of amounts due from: (1) affiliated mutual funds resulting from mutual fund distribution services and (2) the parent company resulting from the two companies' expense-sharing arrangement. Based on the Company's history of collecting on those receivables, management has decided not to establish a reserve for uncollectible receivables.

**Revenue recognition** – Saturna Brokerage Services records nearly all of its revenues from providing mutual fund distribution services to two affiliated mutual fund trusts. Mutual fund distribution fees are computed based on 12-month daily net assets and recorded as revenue on a monthly basis.

**Income taxes** – Saturna Brokerage Services files a consolidated federal income tax return with Saturna Capital Corporation. For financial statement purposes, income tax expense (benefit) is calculated as if SBS filed a separate return. Management has analyzed the Company's position taken on federal income tax returns for all open tax years (2014-2016) and has concluded that no additional adjustments are required in the Company's financial statements.

**Advertising costs** – Saturna Brokerage Services expenses advertising and marketing costs when incurred.

**12b-1-plan distribution** – Saturna Brokerage Services, as underwriter for Amana Mutual Funds Trust (the "Amana" funds or "AMFT") and at no profit to itself, receives up to 0.25% of Amana's daily net assets annually for various marketing and distribution expenses.

For the 2017 and 2016 fiscal years, Saturna Brokerage Services received \$5,486,508 and \$6,351,613, from AMFT. In addition, SBS recognized 12b-1 expense of \$7,672,678 and \$8,945,126, respectively, in distributing the Amana mutual funds, of which the portion in excess of 12b-1 receipts was borne by Saturna Capital per the two companies' expense-sharing understanding. Distribution expenses exceed revenues primarily because mutual fund distribution platforms used by Amana charge up to 0.40% of Amana's daily net assets. In addition to 12b-1 distribution fees, SBS recognized expense of \$759,972 and \$621,425 in its 2017 and 2016 fiscal years, respectively, for distributing Amana mutual funds' institutional shares.

# SATURNA BROKERAGE SERVICES, INC.

(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Saturna Brokerage Services also conducts underwriting services for the nine mutual funds in Saturna Investment Trust under a separate Rule 12b-1 plan. Under that plan, SBS recorded income of \$369,360 and \$423,919, respectively, in the years ended June 30, 2017 and 2016. A total of \$317,937 and \$393,417 was expensed for distributing the funds under the 12b-1 plan in the respective periods. Marketing and other expenses related to distributing the funds are recorded on the books of Saturna Capital; the portion of 12b-1 distribution expenses in excess of 12b-1 receipts was borne by Saturna Capital per the two companies' expense-sharing understanding.

## Note 2 – Investment Securities

Investment securities held by Saturna Brokerage Services, which consist of investments in affiliated mutual funds, have been classified as trading securities during the reporting period. In the fiscal year ended June 30, 2016, these investments had been classified as available-for-sale, and their fair value and amortized cost basis as of June 30, 2016 were as follows:

	June 30, 2016				
Securities	Market value	Cost	Gains	(Losses)	Unrealized gains on AFS securities
Available-for-sale	\$1,404,369	\$1,377,005	\$29,929	\$(2,565)	\$27,364
TOTAL	<u>\$1,404,369</u>	<u>\$1,377,005</u>	<u>\$29,929</u>	<u>\$(2,565)</u>	<u>\$27,364</u>

There was one security in an unrealized loss position for more than 12 months at June 30, 2016.

## Note 3 – Net Capital Requirements

Saturna Brokerage Services is subject to the U.S. Securities and Exchange Commission's uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital to ensure that the ratio of aggregate indebtedness to net capital, both as defined, does not exceed 15 to 1. At June 30, 2017 and 2016, SBS' net capital of \$1,183,700 and \$1,139,266 was \$1,108,024 and \$1,049,981 in excess of its minimum net capital required, respectively. The ratio of SBS' aggregate indebtedness to net capital was 0.9590 and 1.1756 to 1 at June 30, 2017 and 2016, respectively.

## Note 4 – Transactions with Affiliated Persons

SBS is a wholly owned subsidiary of Saturna Capital Corporation. Due to his common stock ownership, the chairman of the board of Saturna Capital is deemed to be its controlling person. The chairman of Saturna Capital is also chairman and president of Saturna Trust Company; a director of Saturna Sdn. Bhd. (Malaysia); chairman and president of Saturna Environmental Corporation; and a trustee, president and fund shareowner of both Amana Mutual Funds Trust and Saturna Investment Trust. The president of

# **SATURNA BROKERAGE SERVICES, INC.**

**(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)**

**ANNUAL REPORT**

*FOR THE FISCAL YEAR ENDED JUNE 30, 2017*

---

Saturna Capital is the chairman's daughter, and is a director of Saturna Capital, SBS, Saturna Trust Company and Saturna Environmental Corporation.

Among other customers, SBS provides brokerage execution services to private accounts and mutual funds managed by its parent, Saturna Capital Corporation. Effective January 1, 2005, SBS executes transactions for these managed accounts for no commission. This negatively impacts SBS, since it still must pay clearing and other charges for these transactions.

SBS shares its principal offices with Saturna Capital, and all employees of SBS are employees of Saturna. The companies maintain an expense-sharing agreement for services provided by Saturna personnel on behalf of SBS. During the reporting period, Saturna Brokerage began operating a branch office within the space occupied by Saturna Trust Company in Henderson, Nevada. Shared expenses charged to SBS by both Saturna Capital and Saturna Trust in 2017 were \$249,637. In 2016, expenses charged to SBS by Saturna Capital were \$220,185. These expenses related primarily to compensation of employees and other general and administrative costs.

## **Note 5 – Provision for Income Taxes**

SBS recorded a receivable from Saturna Capital for the benefit of the taxable loss that SBS generated during the reporting period. For the fiscal years ended June 30, 2017 and 2016, SBS recorded a current income tax benefit of \$413,141 and \$381,447, respectively. Saturna Brokerage also recorded a deferred tax benefit of \$61,250 and \$0 in its 2017 and 2016 fiscal years, respectively, related to accrued expenses.

## **Note 6 – Subsequent Events**

Saturna Brokerage Services has evaluated events and transactions for potential recognition or disclosure through the date these financial statements were issued. There were no events or transactions that occurred between the balance sheet date and the date that the financial statements were issued that materially impacted the amounts or disclosures in the Company's financial statements.

**SATURNA BROKERAGE SERVICES, INC.**

(A WHOLLY OWNED SUBSIDIARY OF SATURNA CAPITAL CORPORATION)

**ANNUAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**Computation of Net Capital as of June 30, 2017**  
**under Rule 15C3-1 under the Securities Exchange Act of 1934 (Schedule I)**

Total shareholder's equity	\$1,954,897
Less – Shareholder's equity not allowable for Net Capital	-
Total shareholder's equity qualified for Net Capital	<u>1,954,897</u>
Deductions and/or charges:	
Non-allowable assets	<u>(629,327)</u>
Net Capital before haircuts on securities positions	1,325,570
Haircuts on securities (computed, where applicable, pursuant to Rule 15c3-1(f)):	
Other securities	<u>(141,870)</u>
Net Capital	<u>\$1,183,700</u>
Aggregate Indebtedness	
Total aggregate indebtedness liabilities from Statements of Financial Condition	<u>\$1,135,145</u>
Total aggregate indebtedness	<u>\$1,135,145</u>
Computation of basic Net Capital requirement	
Minimum Net Capital required	\$75,676
Excess Net Capital	\$1,108,024
Ratio: Aggregate Indebtedness to Net Capital	.9590 to 1

Note: There are no material differences between the preceding computation and the company's corresponding part II of Form X-17A-5 as of June 30, 2017.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholder  
Saturna Brokerage Services, Inc.

We have reviewed management's statement, included in the accompanying Management's Statement Regarding Compliance with Certain Exemption Provisions Under Rule 15c3-3 of the Securities Exchange Act of 1934, in which (1) Saturna Brokerage Services, Inc. identified provision 17 C.F.R. §15c3-3(k)(2)(ii) (the "exemption provisions") under which Saturna Brokerage Services, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3 and (2) Saturna Brokerage Services, Inc. stated that Saturna Brokerage Services, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception. Saturna Brokerage Services, Inc.'s management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Saturna Brokerage Services, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statement. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statement referred to above for them to be fairly stated, in all material respects, based on the conditions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.



Bellingham, Washington  
August 24, 2017





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Bellingham  
Washington 98225  
www.saturna.com/sbs

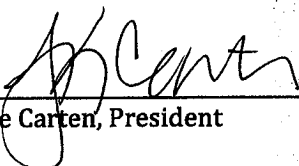
Telephone: (360) 734-1266  
(800) 728-1266  
Fax: (360) 734-0755

### MANAGEMENT'S STATEMENT REGARDING COMPLIANCE WITH CERTAIN EXEMPTION PROVISIONS UNDER RULE 15c3-3 OF THE SECURITIES EXCHANGE ACT OF 1934

We, as members of management of Saturna Brokerage Services, Inc. (the Company), are responsible for complying with the requirements of 17 C.F.R. §15c3-3, "The Customer Protection Rule", of the Securities Exchange Act of 1934 (the "Act"). We have performed an evaluation of the Company's compliance with the Customer Protection Rule as of June 30, 2017 and during the period from July 1, 2016 through June 30, 2017. Based on this evaluation, we assert that the Company was in compliance with the Act as described below:

- 1) The Company is exempt from the Customer Protection Rule under Paragraph (k)(2)(ii) as the Company is an introducing broker or dealer, who clears all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer, and who promptly transmits all customer funds and securities to the clearing broker or dealer which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements of Rules 17a-3 and 17a-4, as are customarily made and kept by a clearing broker or dealer.
- 2) The Company met the identified exemption provisions throughout the most recent fiscal year without exception.

Saturna Brokerage Services, Inc.

  
\_\_\_\_\_  
Jane Carten, President

8/24/2017  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
James Gibson, Chief Financial Officer

8/24/17  
\_\_\_\_\_  
Date



A Subsidiary of Saturna Capital Corporation

1300 North State Street  
Bellingham  
Washington 98225  
www.saturna.com/sbs

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(800) 728-1266  
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August 24, 2017

Securities and Exchange Commission  
Registrations Branch  
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Washington, DC 20549

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Washington DC  
408

**RE: SATURNA BROKERAGE SERVICES, INC.  
CRD #18437  
Annual Audited Financials, Form X-17A-5, Part III**

Dear Madam or Sir:

Enclosed is a copy of the Audited Financial Statements for the fiscal year ended June 30, 2017, which incorporates the Report of Independent Certified Public Accountants and the review report on management's statements regarding compliance with certain exemption provisions under Rule 15c3-3 of the Securities Exchange Act of 1934, from independent auditors Moss Adams, LLP. Also included are Form X-17A-5 and a copy of the SIPC Supplemental Report.

For questions or comments regarding this matter, please contact me at (360) 734-9900 Ext. 301 or by e-mail at [jsg@saturna.com](mailto:jsg@saturna.com).

Sincerely,

A handwritten signature in cursive script that reads 'James Gibson'.

James Gibson  
CFO

**General Assessment Reconciliation**

For the fiscal year ended 6/30/2017

(Read carefully the instructions in your Working Copy before completing this Form)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

36558 FINRA JUN  
SATURNA BROKERAGE SERVICES INC  
ATTN JAMES GIBSON  
1300 N STATE ST  
BELLINGHAM WA 98225-4715

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

JIM GIBSON 360/594-9900

- 2. A. General Assessment (item 2f from page 2) \$ 0
- B. Less payment made with SIPC-6 filed and SIPC-7 if applicable (exclude interest) ( 0 )
- \_\_\_\_\_ Date Paid
- C. Less prior overpayment applied ( \_\_\_\_\_ )
- D. Assessment balance due or (overpayment) \_\_\_\_\_
- E. Interest computed on late payment (see instruction E) for \_\_\_\_\_ days at 20% per annum \_\_\_\_\_
- F. Total assessment balance and interest due (or overpayment carried forward) \$ 0
- G. PAYMENT:  the box  
Check mailed to P.O. Box  Funds Wired   
Total (must be same as F above) \$ 0
- H. Overpayment carried forward \$( \_\_\_\_\_ )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

SATURNA BROKERAGE SERVICES, INC  
(Name of Corporation, Partnership or other organization)  
James Gibson  
(Authorized Signature)  
CFO  
(Title)

Dated the 17 day of August, 20 17.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER** Dates: \_\_\_\_\_ Postmarked \_\_\_\_\_ Received \_\_\_\_\_ Reviewed \_\_\_\_\_

Calculations \_\_\_\_\_ Documentation \_\_\_\_\_ Forward Copy \_\_\_\_\_

Exceptions: \_\_\_\_\_

Disposition of exceptions: \_\_\_\_\_

**DETERMINATION OF SIPC NET OPERATING REVENUES  
AND GENERAL ASSESSMENT**

AMOUNTS FOR APPLICABLE PERIODS.

beginning 7/1/2016  
and ending 12/31/2016

beginning 1/1/2017  
and ending 6/30/2017

	TOTAL REVENUE	Eliminate cents	
Item No. 2a. Total revenue (FOCUS Line 12, Part IIA Line 9, Code 4030) \$	<u>6,027,312</u> the sum of both periods	\$ <u>3,138,830</u>	\$ <u>2,888,482</u>
2b. Additions:			
(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries and predecessors not included above)			
(2) Net loss from principal transactions in securities in trading accounts			
(3) Net loss from principal transactions in commodities in trading accounts			
(4) Interest and dividend expense deducted in determining item 2a.			
(5) Net loss from management of or participation in the underwriting or distribution of securities			
(6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities			
(7) Net loss from securities in investment accounts		<u>41,133</u>	<u>0</u>
Total additions		<u>41,133</u>	<u>0</u>
2c. Deductions:			
(1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.		<u>3,139,094</u>	<u>2,728,006</u>
(2) Revenues from commodity transactions			
(3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions		<u>113,533</u>	<u>168,467</u>
(4) Reimbursements for postage in connection with proxy solicitation			
(5) Net gain from securities in investment accounts		<u>0</u>	<u>30,009</u>
(6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date			
(7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act)			
(8) Other revenue not related either directly or indirectly to the securities business. (See Instruction C):			
<hr/>			
(Deductions in excess of \$100,000 require documentation)			
(i) Total interest and dividend expense (FOCUS Line 22, PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.	\$ _____	\$ _____	
(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960)	\$ _____	\$ _____	
<hr/>			
Enter the greater of line (i) or (ii)			
Total deductions		<u>3,252,627</u>	<u>2,926,482</u>
2d. SIPC Net Operating Revenues		\$ <u>&lt;72,664&gt;</u>	\$ <u>&lt;38,000&gt;</u>
2e. General Assessment at applicable rate for assessment period		\$ <u>0</u>	\$ <u>0</u>
2f. Total General Assessment add both columns		\$ <u>0</u>	\$ <u>0</u>



Report of Independent Registered Public Accounting  
Firm on Applying Agreed-Upon Procedures for

**Saturna Brokerage Services, Inc.**

(A Wholly Owned Subsidiary of  
Saturna Capital Corporation, Inc.)

June 30, 2017

**MOSS ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON APPLYING AGREED-UPON PROCEDURES**

To the Stockholder  
Saturna Brokerage Services, Inc.

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934 and with the SIPC Series 600 Rules, we have performed the procedures enumerated below with respect to the accompanying General Assessment Reconciliation (Form SIPC-7B) to the Securities Investor Protection Corporation ("SIPC") for the year ended June 30, 2017, solely to assist you and the other specified parties in evaluating the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7B). The Company's management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the Public Company Accounting Oversight Board (United States). The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows.

1. We were unable to compare the listed assessment payments in Form SIP-7 with respective cash disbursement records consisting of copies of cancelled checks as the Company's SIPC Net Operating Revenues were negative and there were no required SIPC payments during the year;
2. Compared the amounts reported on the audited Form X-17A-5 (FOCUS Report) for the year ended June 30, 2017 with the amounts reported in Form SIPC-7B for the year ended June 30, 2017, noting no differences;
3. Compared adjustments reported in Form SIPC-7B with supporting schedules and working papers prepared by the Company noting no adjustments reported in either Form SIPC-7B or supporting schedules and working papers;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7B and in the related schedules and working papers, noting no differences; and
5. We were unable to compare the amount of any overpayment applied to the current assessment with the Form SIPC-7B on which it was originally computed as there was no such overpayment amount stated on Form SIPC-7B and management represented to us that no such overpayment exists.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Mon Adams LLP*

Bellingham, Washington  
August 24, 2017