

IIFL Inc.
Financial Statements and Supplemental Information
Pursuant to Rule 17a-5 under the Securities Exchange Act of 1934
March 31, 2020

Confidential

This report is deemed CONFIDENTIAL in accordance with Rule 17a-5(e)(3) under the Securities Exchange Act of 1934. A statement of financial condition has been bound separately and filed with the Securities and Exchange Commission simultaneously herewith as a Public Document.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

SEC FILE NUMBER
8-70165

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

REPORT FOR THE PERIOD BEGINNING 04/01/19 AND ENDING 03/31/20
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

IIFL Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

1120 Avenue of the Americas, Suite # 1505

(No. and Street)

New York

(City)

NY

(State)

10036

(Zip Code)

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

Fredric Obsbaum

(212) 897-1694

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

YSL & Associates LLC

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

11 Broadway

(Address)

New York

(City)

NY

(State)

10004

(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 (3-91)

IIFL Inc.

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

- Report of Independent Registered Public Accounting Firm.
- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Operations.
- (d) Statement of Changes in Stockholder's Equity.
- (e) Statement of Cash Flows.
- (f) Statement of Changes in Liabilities Subordinated to Claims of General Creditors (not applicable).
- (g) Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934.
- (h) Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934.
- (i) Information Relating to the Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934.
- (j) A Reconciliation, including appropriate explanations, of the Computation of Net Capital Pursuant to Rule 15c3-1 and the Computation for Determination of Reserve Requirements Under Rule 15c3-3 (not applicable).
- (k) A Reconciliation Between the Audited and Unaudited Statements of Financial Condition With Respect to Methods of Consolidation (not applicable).
- (l) An Affirmation.
- (m) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit (Supplemental Report on Internal Control).
- (n) Independent Auditors' Report Regarding Rule 15c3-3 exemption.
- (o) Rule 15c3-3 Exemption Report.

** For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

AFFIRMATION

I, Fredric Obsbaum, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplemental schedules pertaining to IIFL Inc. for the year ended March 31, 2020, are true and correct. I further affirm that neither the Company nor any officer or director has any proprietary interest in any account classified solely as that of a customer.



Signature

CFO/FINOP
Title

Subscribed and sworn
to before me

Not Notarized Due to Covid-19

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YSL & Associates LLC

Certified Public Accountants

Member of Parker Randall International

11 Broadway, Suite 700, New York, NY 10004

Tel: (212) 232-0122 Fax: (646) 218-4682

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Director and Stockholder of
IIFL, Inc.

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of IIFL, Inc. (the "Company") as of March 31, 2020, the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended, and the related notes and schedules (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2020, 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 of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements 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 statements are 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 statements, 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.

Auditor's Report on Supplemental Information

The supplemental information contained in Schedule I and Schedule II has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company'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, the supplemental information contained in Schedule I and Schedule II is fairly stated, in all material respects, in relation to the financial statements as a whole.

YSL & Associates LLC

We have served as IIFL, Inc.'s auditor since 2019.

New York, NY

April 23, 2020

IIFL Inc.

Statement of Financial Condition March 31, 2020

Assets

Cash	\$	577,489
Accounts receivable - net of allowance for doubtful accounts of \$11,250		128,349
Fixed assets, net of accumulated depreciation of \$41,440		28,358
Right-to-use asset		413,572
Security deposit		30,000
Prepaid expenses and other		11,615
Deferred tax asset		67,272
		<hr/>
Total assets	\$	1,256,655

Liabilities and Stockholder's Equity

Accounts payable and other accrued liabilities	\$	49,233
Due to affiliated company		10,618
Lease liability		415,598
		<hr/>
Total liabilities		475,449

Stockholder's equity:

Common stock, \$0.01 par value. Authorized 1,000 shares; issued and outstanding 140 shares		1
Additional paid-in capital		1,029,499
Accumulated deficit		(248,294)
		<hr/>
Total stockholder's equity		781,206
		<hr/>
Total liabilities and stockholder's equity	\$	1,256,655

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

IIFL Inc.

Statement of Operations For the Year Ended March 31, 2020

Revenue	
Service fee income	<u>\$ 2,043,801</u>
Expenses	
Compensation and benefits	1,342,075
Professional fees	211,003
Occupancy and office expenses	172,607
Travel, entertainment and promotional	73,493
Loss on disposal of assets	33,182
Regulatory fees and expenses	27,954
Communications	12,485
Bad debts expense	11,250
Other	10,992
Depreciation	9,824
Total expenses	<u>1,904,865</u>
Income before provision for income taxes	138,936
Income tax expense	<u>40,669</u>
Net income	<u>\$ 98,267</u>

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

IIFL Inc.

Statement of Changes in Stockholder's Equity For the Year Ended March 31, 2020

	<u>Shares</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated (Deficit)</u>	<u>Total Stockholder's Equity</u>
Balance, April 1, 2019	140	\$ 1	\$ 1,029,499	\$ (346,561)	\$ 682,939
Net income		-	-	98,267	98,267
Balance, March 31, 2020	<u>140</u>	<u>\$ 1</u>	<u>\$ 1,029,499</u>	<u>\$ (248,294)</u>	<u>\$ 781,206</u>

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

IIFL Inc.

Statement of Cash Flows For the Year Ended March 31, 2020

Cash flows from operating activities:	
Net income	\$ 98,267
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	9,824
Amortization of right-to-use asset	118,979
Loss on disposal of fixed assets	33,182
Decrease (increase) in operating assets	
Accounts receivable	(106,088)
Security deposits	39,606
Prepaid expenses and other	(1,400)
Deferred tax asset	37,501
Increase (decrease) in operating liabilities:	
Accounts payable and other accrued liabilities	16,427
Lease liability	(116,953)
Due to affiliated company	(1,232)
Net cash provided by operating activities	<u>128,113</u>
Cash flows from investing activities:	
Proceeds from sale of fixed assets	<u>1,500</u>
Net cash provided by investing activities	<u>1,500</u>
Net increase in cash	129,613
Cash at beginning of year	<u>447,876</u>
Cash at end of year	<u>\$ 577,489</u>
Supplemental disclosure of cash flow information	
Cash paid during the year for taxes	<u>\$ 3,168</u>

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

IIFL Inc.

Notes to Financial Statement Year Ended March 31, 2020

1. Organization

IIFL Inc. (“the Company”) is a wholly owned subsidiary of IIFL Wealth Management Limited., Mumbai, India (Parent). On April 11, 2019, the Company became a broker-dealer and as such is registered with the Securities and Exchange Commission (the SEC) and is a member of the Financial Industry Regulatory Authority (FINRA).

The Company markets India-oriented financial products to Institutions and Accredited Investors in the United States through Private Placements. Investors may subscribe either through Feeder funds established outside India or directly into the funds in India. In most cases, the Funds are managed by affiliated companies, namely, IIFL Asset Management Limited, India and IIFL Capital Pte. Ltd., Singapore though the firm may also market funds managed by other firms. IIFL Inc. does not handle investor funds or take custody of funds and securities as the investor funds the investment directly with the investment manager.

2. Significant Accounting Policies

a) Cash

The Company maintains cash at federally insured banking institutions. Cash on deposit with financial institutions may, at times, exceed federal insurance limits; however, the Company does not consider itself to be at risk with respect to its cash deposits.

b) Fixed Assets

Fixed assets are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets and amounted to \$9,824 for the year ended March 31, 2020.

c) Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for expected future tax consequences of events that have been included in the financial statements. Under this method deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year the differences are expected to reverse. The effect of the change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Deferred tax assets and liabilities are recognized subject to management’s judgment that realization is more likely than not.

d) Estimates

These financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) which 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Notes to Financial Statement
Year Ended March 31, 2020**

e) Revenue Recognition

Effective April 1, 2019, the Company adopted ASC Topic 606 Revenue from Contracts with Customers. The new revenue recognition guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires an entity to follow a five step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

The Company has evaluated the new guidance and has determined that the adoption did not impact the Company's financial statements and a cumulative effect adjustment under the modified retrospective method of adoption is not necessary.

Service Fee Income

The Company provides marketing and client relationship services for transactions between U.S. institutional and accredited investors and its parent, IIFL Wealth Management Limited. This represents the only performance obligation which is satisfied over time as the services are provided. The Company recorded revenue based on a cost plus 8% arrangement that was agreed to by the Company. For the period April 1, 2019 through December 31, 2019, the cost plus arrangement was between the Company and IIFL Wealth Management Limited. From January 1, 2020 through March 31, 2020 the cost plus arrangement acceded to IIFL Wealth Finance Limited. Revenue is recognized monthly as earned based on the corresponding costs in accordance with the agreement as services are rendered. Related receivables are generally satisfied within 2 months. As of March 31, 2020, the Company had an account receivable due from its affiliate in the amount of \$128,349.

3. Related Party Transactions

The Company maintains an administrative services agreement with an affiliated entity in the US, IIFL Capital Inc. whereby IIFL Inc. is to provide certain services. Management determined the amount of certain expenses paid directly by IIFL Inc. that should be allocated to IIFL Capital Inc., such as rent, office expenses and other operating expenses. The aggregate amount of these services billed to IIFL Capital Inc. during the fiscal year was \$76,315 of which \$54,291 remained uncollected and is included in due to affiliated company at March 31, 2020. IIFL Capital Inc., on behalf of IIFL Inc., paid certain expenses and a total of \$64,909 was included in the balance of due to affiliated company. As of March 31, 2020, the net balance of due to affiliated company was \$10,618.

4. Regulatory Requirements

The Company is subject to the SEC Uniform Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934, 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 (8 to 1 in its first year

IIFL Inc.

Notes to Financial Statement Year Ended March 31, 2020

4. Regulatory Requirements (continued)

of operations). At March 31, 2020, the Company had net capital of \$515,612 which exceeded the required net capital of \$7,735 by \$507,877.

The Company does not handle customer funds or securities and accordingly does not have any obligations under SEC Rule 15c3-3.

5. Off-Balance-Sheet Risk, Concentration Risk and Credit Risk

The Company's policy is to continuously monitor its exposure to market and counterparty risk by using a variety of financial, position and credit exposure reporting and control procedures. In addition, the Company has a policy of reviewing the credit standing of each customer and/or other counterparty with which it conducts business.

6. Income Taxes

Total tax expense is \$40,669 and represents Federal, state and local taxes as follows:

	Tax Provision		Total
	Current	Deferred	
Federal	\$ -	\$ 37,501	\$ 37,501
State and local	3,168	-	3,168
	<u>\$ 3,168</u>	<u>\$ 37,501</u>	<u>\$ 40,669</u>

The Company does not have any uncertain tax positions or any known unrecognized tax benefits at March 31, 2020.

At March 31, 2020, the Company's deferred tax asset related to federal net operating loss carryforwards that will start to expire in 2034. The deferred tax asset, \$67,272, was calculated based on current tax rates

7. 401k Plan

The Company also sponsors a qualified defined contribution salary reduction 401(k) plan covering all eligible employees. The maximum contribution payable under the plan is equal to a defined percentage of the eligible employee's salary subject to Internal Revenue Service ("IRS") limits. Employee contributions may be matched at the discretion of the Company subject to IRS limits. The expense related to the 401(k) plan for the year-ended March 31, 2020 was \$49,057.

8. Concentrations

The Company is dependent on its affiliate for 100% of its revenue.

Most of the Company's assets are held in the form of cash in accounts at major commercial banks.

Management does not expect any losses to result with respect to any of these concentrations.

IIFL Inc.

Notes to Financial Statement Year Ended March 31, 2020

9. Commitments and Contingent Liabilities

The Company is a co-signer along with IIFL Capital Inc. on the lease for its office space, such lease expiring on November 30, 2022. For the year ended March 31, 2020, rent expense, including incidentals, was \$134,985 and is included in occupancy on the statement of operations. The Company would be obligated on the full amount of lease payments remaining at any time should IIFL Capital Inc. default on its portion. Future annual lease payments are as follows:

Year Ending March 31	Total Commitments
2021	\$ 167,621
2022	169,394
Thereafter	113,915
	<u>\$ 450,930</u>

10. New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Accounting for Financial Instruments - Credit Losses (Topic 326). ASU 2016-13 requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Currently, GAAP requires an "incurred loss" methodology that delays recognition until it is probable a loss has been incurred. Under the new standard, the allowance for credit losses must be deducted from the amortized cost of the financial asset to present the net amount expected to be collected. The income statement will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This provision of the guidance requires a modified retrospective transition method with a cumulative-effect adjustment in retained earnings upon adoption. This guidance is effective for the Company on April 1, 2020, and the Company adopted this guidance on that date. The impact of this guidance is not expected to be material to the Company.

11. COVID-19

During the 2020 calendar year, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern". This pandemic has disrupted economic markets and the economic impact, duration and spread of the COVID-19 virus is uncertain at this time. The financial performance of the Company is subject to future developments related to the COVID-19 outbreak and possible government advisories and restrictions placed on the financial markets and business activities. The impact on financial markets and the overall economy, all of which are highly uncertain, cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period the Company's results may be materially affected. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**SUPPLEMENTARY INFORMATION PURSUANT TO RULE 17a-5
OF THE SECURITIES EXCHANGE ACT OF 1934**

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IIFL Inc.

Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission March 31, 2020

Schedule I

Net capital:	
Total stockholder's equity	\$ 781,206
Deductions and/or charges:	
Nonallowable assets:	
Accounts receivable	128,349
Fixed assets	28,358
Deferred tax asset	67,272
Prepaid assets and other	41,615
Total nonallowable assets	265,594
Net capital	515,612
Minimum net capital requirement (the greater of \$5,000 or 12 1/2% of aggregate indebtedness)	7,735
Excess net capital	\$ 507,877
Computation of aggregate indebtedness	
Accounts payable and accrued expenses	\$ 49,233
Due to affiliated company	10,618
Lease liability	415,598
Reduction by right-of-use asset	(413,572)
Aggregate indebtedness	\$ 61,877

There were no material differences between the computation of net capital presented above and the computation of net capital reported in the Company's unaudited Form X-17A-5 Part IIA filing as of March 31, 2020.

IIFL Inc.

**Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
March 31, 2020**

Schedule I

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See Report of Independent Registered Public Accounting Firm

IIFL Inc.

**Computation for Determination of Reserve Requirements and
Information Relating to Possession or Control Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission
March 31, 2020**

Schedule II

The Company does not hold customer cash or securities; therefore, it is not affected by SEC Rule 15c3-3.

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YSL & Associates LLC

Certified Public Accountants

| Member of Parker Randall International

11 Broadway, Suite 700, New York, NY 10004

Tel: (212) 232-0122 Fax: (646) 218-4682

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Director and Stockholder of
IIFL Inc.

We have reviewed management's statements, included in the accompanying Rule 15c3-3 Exemption Report, in which (1) IIFL, Inc. (the "Company") may file an exemption report because it had no obligations under 17 C.F.R. §240.15c3-3 and (2) the Company stated that it had no exceptions under SEC Rule 15c3-3 throughout the most recent fiscal year. The Company's management is responsible for compliance with 17 C.F.R. §240.15c3-3 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 the Company'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 statements. 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 statements referred to above for them to be fairly stated, in all material respects, based on Rule 15c3-3 under the Securities Exchange Act of 1934.

YSL & Associates LLC

New York, NY

April 23, 2020

IIFL Inc.

Rule 15c3-3 Exemption Report Year Ended March 31, 2020

To the best of our knowledge and belief, IIFL Inc. ("IIFL") states the following:

IIFL may file an exemption report because it had no obligations under SEC Rule 15c3-3. IIFL did not handle cash or securities on behalf of customers without any exceptions throughout the year ending March 31, 2020.

Signature



CFO/FINOP

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