

SoFi Securities LLC

SOFI SECURITIES LLC

STATEMENT OF FINANCIAL CONDITION JUNE 30, 2019 (UNAUDITED)

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ASSETS

Cash	\$34,447,516
Cash - segregated under federal regulations	3,248,663
Due from Affiliates	16,884
Due from member banks and WSFS	5,606,770
Due from clearing broker (includes clearing deposit of \$250,000)	265,388
Prepaid expenses	411,809
Securities (at fair value)	<u>80,072</u>
Total assets	<u>\$44,077,102</u>

LIABILITIES AND MEMBER'S EQUITY

Accounts payable	\$14,739
Due to affiliates	2,770,825
Due to clearing broker	54,246
Accrued liabilities	4,450,364
Customer deposits	<u>3,335,286</u>
Total liabilities	<u>10,625,460</u>
Member's equity	<u>33,451,642</u>
Total liabilities and member's equity	<u>\$44,077,102</u>

The accompanying notes are an integral part of this statement

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NOTES TO THE STATEMENT OF FINANCIAL CONDITION JUNE 30, 2019 (UNAUDITED)

1. Nature of business and summary of significant accounting policies

Nature of Business

SoFi Securities LLC (the "Company") is a broker-dealer registered with the Securities and Exchange Commission ("SEC") pursuant to section 15(b) of the Securities Exchange Act of 1934, as amended ("the Act") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company's operations consist of retailing over-the-counter equity securities, arranging for transactions in listed securities by an exchange member, and operating a sweep deposit account and bank sweep program pursuant to SEC Rule 15c3-3.

The Company is 100% owned by Social Finance, Inc. (the "Parent") and is affiliated with SoFi Wealth, LLC ("SoFi Wealth") and SoFi Capital Advisors, LLC, both of which are investment advisors registered with the SEC and both are also 100% owned by Social Finance, Inc.

Self-Clearing

On November 29, 2017, the Company received regulatory approval from FINRA to implement a Bank Sweep Program wherein its customers may place funds on deposit with the Company which are then swept out and placed on deposit with a member bank within the program (the "Bank Sweep Program"). This approval removed the exemptive relief provided under subparagraph (k)(2)(ii) of SEC Rule 15c3-3 ("the Customer Protection Rule") thereby making the Company fully subject to the Rule and permitting the Company to hold customer funds in a Special Reserve Account. Beginning in February 2018, the Company began operating the Bank Sweep Program.

Clearing Agreement

In July 2015, the Company entered into a clearing agreement with APEX Clearing Corporation that executes, clears and settles all customer securities transactions on a fully disclosed basis. For this aspect of its operations, the Company does not carry or clear customer accounts. The Company's agreement with its clearing broker provides that as clearing broker, that firm will make and keep such records of the transactions effected and cleared in the customer accounts as are customarily made and kept by a clearing broker pursuant to the requirements of Rules 17a-3 and 17a-4 of the Act. It also performs all services customarily incident thereon, including the preparation and distribution of customer's confirmation and statements and maintenance of margin requirements under the Act and the rules of the Self-Regulatory Organizations of which the Company is a member.

Basis of Presentation

The financial statement has been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of the financial statement in conformity with U.S. GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Cash and Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents for the period ended June 30, 2019. Cash is held at major financial institutions and is subject to credit risk to the extent those balances exceed applicable Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation limitations.

Cash – Segregated Under Federal Regulations

Cash segregated and on deposit for regulatory purposes consists primarily of qualified deposits in special reserve bank accounts for the exclusive benefit of clients under the Customer Protection Rule and other regulations. At June 30, 2019, cash segregated in special reserve accounts under the Customer Protection Rule totaled \$3,248,663.

Due From Member Banks and WSFS

Due from member banks and WSFS consist of advances of cash to facilitate customer transactions until the customer funds are received by the member banks participating within the program. The receivable is settled on the next business day. See footnote 4 for further information on the sweep program.

Securities Valuation

The Company values its securities in accordance with Accounting Standards Codification 820 - Fair Value Measurement (“ASC 820”). Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the

Company’s assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into the following three levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date

Level 2 – Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3 – Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability.

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Income Taxes

The Company is a single member limited liability company, which is treated as an entity disregarded as separate from its owner for federal and state income tax purposes and does not pay income taxes in any jurisdiction. The Company's income or loss is taken into consideration on the tax returns of its sole member.

At June 30, 2019, management has determined that the Company had no uncertain tax positions that would require financial statement recognition.

Since the Company was acquired by its sole member in January 2012, the sole member has generated tax losses that are being carried forward for utilization in future years. As such, all tax years going back to the acquisition remain open to examination by tax authorities and will remain so until the statute of limitations expires on future tax years when the loss carryforwards are utilized.

Recently Issued Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-13, *Fair Value Measurement*, to modify disclosure requirements on fair value measurements. The new standard will be effective for the years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. The Company is currently assessing the impact this standard will have on its financial statements.

2. Fair value measurements

The following table presents information about the Company's assets and liabilities measured at fair value as of June 30, 2019:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balances as of June 30, 2019
Securities owned:				
Common stock, including exchange traded funds	<u>\$ 80,072</u>	<u>\$ --</u>	<u>\$ -</u>	<u>\$ 80,072</u>

The Company did not have significant transfers between Level 1 and Level 2 during the period ended June 30, 2019.

3. Related-party transactions

Pursuant to a Management Services Agreement (the "Agreement") between the Company and its Parent, the Parent provides to the Company services related to general administrative and operational services. The value of the general administrative and operational services incurred by the Parent on behalf of the Company was approximately \$6,895,203 for the period of January 1 to June 30, 2019. Per the terms of the agreement, the Parent agreed to assume all liability for these expenses and as a result no expenses are reported at the Company. The Parent also agreed to forgive \$4,167,035 of an intercompany receivable from the Company resulting from allocated expenses previously allocated to the Company.

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As of June 2019, \$1,185,614 of third-party professional service, other administrative fees and cash transfers were paid by the Parent relating to the Company. The costs of the services were charged to the Company and recorded in the Professional fees and General and administrative lines on the Statement of Operations. The Parent did not request payment from the Company and the amount is presented within the Due to affiliates balance in the Statement of Financial Condition.

In March 2019, Social Finance Inc. received a payment of \$15,343 from the closing of a SoFi Securities account at Citizens Bank. This intercompany receivable from Parent is presented within the Due from affiliates balance in the Statement of Financial Condition.

Executives and directors may apply for the Company's products. The Company believes all such transactions by related persons were made in the ordinary course of business and were transacted on terms and conditions that were not more favorable than those obtained by similarly situated third-party customers.

On March 31, 2017, the Company entered into an Investment Advisor Services Agreement with an affiliate SoFi Wealth. SoFi Wealth is an SEC registered Investment Advisor providing financial advisory services primarily to retail investors. SoFi Wealth refers these advisory clients to the Company to open brokerage accounts on a fully disclosed basis and carried by the Company's clearing firm. Under the agreement SoFi Wealth retains the right to request repayment from the Company of all customer account fees and clearing expenses relating to the advisory accounts covered by the agreement. During the period of January 1 to June 30, 2019 SoFi Wealth paid approximately \$171,076 in fees relating to the advisory accounts but did not request repayment from the Company and the amount is presented within the Due to affiliates balance in the Statement of Financial Condition.

4. Off balance sheet

In the normal course of business, the Company maintains a Bank Sweep program that sweeps customer funds between a firm-owned and firm-operated account, WSFS, and a series of member banks through the assistance of an intermediary, UMB. Once the funds have reached the member bank accounts, the amounts are removed from the Company's balance sheet. As of June 30, 2019, the total amount held at member banks was \$289,150,983. Additionally, there was \$3,335,286 of customer funds in transit which are recorded as Customer deposits on the Statement of Financial Condition.

5. Net capital requirement

The Company is subject to the SEC's Uniform Net Capital Rule ("Exchange Act Rule 15c3-1"), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by Exchange Act Rule 15c3-1, which requires that the Company maintain net capital equal to the greater of \$250,000 million or 2% of aggregate debit items as defined. These regulations also prohibit a broker-dealer from repaying subordinated borrowings, paying cash dividends, making loans to its parent, affiliates or employees, or otherwise entering into transactions which would result in a reduction of its total net capital to less than 150% of its required minimum capital. Moreover, broker-dealers are required to notify the SEC and other regulators prior to repaying subordinated borrowings, paying dividends and making loans to its parent, affiliates or employees, or otherwise entering into transactions, which, if executed, would result in a reduction of 10% or more of its excess net capital (net capital less minimum requirement). The SEC and FINRA have the ability to prohibit or restrict such transactions if the result is detrimental to the financial integrity of the broker-dealer.

As of June 30, 2019, the Company had net capital of \$29,662,363, which was \$29,412,363 in excess of

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its required net capital of \$250,000.

6. Concentrations of credit risk

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

7. Commitments and contingencies

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.

Indemnifications

In the normal course of its business, the Company indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the Company or its affiliates. The Company also indemnifies some clients against potential losses incurred in the event specified third-party service providers, including sub-custodians and third-party brokers, improperly executed transactions. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

The Company provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The Company may also provide standard indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or adverse application of certain tax laws. These indemnifications generally are standard contractual terms and are entered into in the normal course of business. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in financial statements for these indemnifications.

8. Subsequent events

In August 2019, \$6,000,000 was contributed to the Company by its Parent.

The Company has evaluated events through August 31, 2019, the date that the financial statement was available to be issued and has determined that, other than the item described in the paragraph

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above, there were no subsequent events requiring adjustment or disclosure in these financial statements.