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ORDER INSTITUTING DISCIPLINARY PROCEEDINGS, MAKING FINDINGS, AND IMPOSING SANCTIONS *In the Matter of Bojan Stokic, CPA*, *Respondent.*	PCAOB Release No. 105-2016-048 December 13, 2016

By this Order, the Public Company Accounting Oversight Board (the "Board" or "PCAOB") is censuring Bojan Stokic ("Respondent" or "Stokic") and suspending him from being an associated person of a registered public accounting firm for a period of one year from the date of this Order. The Board is imposing these sanctions on the basis of its findings that, in connection with his role as the engagement quality reviewer for the audit of Capstone Financial Group, Inc.'s ("Capstone") financial statements for the year ended December 31, 2013, and review of Capstone's financial statements for the quarter ended March 31, 2014, Stokic violated PCAOB Auditing Standard No. 7, *Engagement Quality Review* ("AS 7").

I.

The Board deems it necessary and appropriate, for the protection of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports, that disciplinary proceedings be, and hereby are, instituted pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the "Act"), and PCAOB Rule 5200(a)(1) against Respondent.

II.

In anticipation of institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondent has submitted an Offer of Settlement ("Offer") that the Board has determined to accept. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings herein, except as to the Board's jurisdiction over Respondent and the subject matter of these proceedings, which is admitted,

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Respondent consents to entry of this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions ("Order") as set forth below.[1]

III.

On the basis of Respondent's Offer, the Board finds[2] that:

A. Respondent

1. Bojan Stokic, CPA, age 38, of Las Vegas, Nevada, is a certified public accountant licensed by the Nevada State Board of Accountancy (License # CPA-5331). At all relevant times, Stokic was an audit partner with Seale and Beers, CPAs, LLC ("S&B" or "Firm"), a limited liability company headquartered in Las Vegas, Nevada. Stokic was, at all relevant times, an associated person of a registered public accounting firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i). Stokic served as the engagement quality reviewer for S&B's audit and reviews of Capstone.

B. Summary

2. This matter concerns Stokic's violations of AS 7 while serving as the engagement quality reviewer for S&B's audit of Capstone's financial statements for the year ended December 31, 2013 ("FY 2013 Audit") and review of Capstone's financial statements for the quarter ended March 31, 2014 ("Q1 2014 Review").

3. During his engagement quality review ("EQR") for the FY 2013 Audit, Stokic failed to properly evaluate the significant judgments made, and the related conclusions reached, by the engagement team. Stokic also failed to properly evaluate the engagement documentation he reviewed, which did not contain an appropriate risk assessment or sufficient appropriate audit evidence for significant items in Capstone's

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[1] The findings herein are made pursuant to Respondent's Offer and are not binding on any other persons or entities in this or any other proceeding.

[2] The Board finds that Respondent's conduct described in this Order meets the conditions set out in Section 105(c)(5) of the Act, 15 U.S.C. § 7215(c)(5), which provides that certain sanctions may be imposed in the event of (1) intentional or knowing conduct, including reckless conduct, that results in a violation of the applicable statutory, regulatory, or professional standard; or (2) repeated instances of negligent conduct, each resulting in a violation of the applicable statutory, regulatory, or professional standard.

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financial statements. As a consequence, Stokic provided his concurring approval of issuance without performing his review for the Firm's FY 2013 Audit with due professional care.

4. In connection with his EQR for the Q1 2014 Review, Stokic again failed to properly evaluate the significant judgments made, and the related conclusions reached, by the engagement team, failed to properly evaluate the engagement documentation he reviewed, and provided his concurring approval of issuance without performing his review with due professional care.

C. Requirements of PCAOB Auditing Standard No. 7

5. In connection with the preparation or issuance of an audit report, PCAOB rules require that a registered public accounting firm and its associated persons comply with applicable auditing and related professional practice standards.[3]

6. AS 7 provides that an EQR and concurring approval of issuance are required for all audits and interim reviews conducted pursuant to PCAOB standards.[4]

7. The engagement quality reviewer may provide concurring approval of issuance for an audit report only if, after performing with due professional care the review required by AS 7, he or she is not aware of a significant engagement deficiency.[5]

8. In an audit engagement, an engagement quality reviewer should evaluate the significant judgments made by the engagement team and the related conclusions reached in forming the overall conclusion on the engagement and in preparing the engagement report.[6] The engagement quality reviewer should, among other things,

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[3] See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3200T, *Interim Auditing Standards*. All references to PCAOB rules and standards are to the versions of those rules and standards in effect at the time of the relevant audit or review.

[4] See AS 7 ¶ 1.

[5] See id. ¶ 12 ("A *significant engagement deficiency* in an audit exists when (1) the engagement team failed to obtain sufficient appropriate evidence in accordance with the standards of the PCAOB, (2) the engagement team reached an inappropriate overall conclusion on the subject matter of the engagement, (3) the engagement report is not appropriate in the circumstances, or (4) the firm is not independent of its client.").

[6] See id. ¶ 9.

evaluate the significant judgments that relate to engagement planning, including, but not limited to, the consideration of the company's business, recent significant activities, and related financial reporting issues and risks.[7] The engagement quality reviewer should also evaluate the engagement team's assessment of, and audit responses to, significant risks, including fraud risks, identified by the engagement team or other significant risks identified by the engagement quality reviewer through performance of the procedures required by AS 7.[8]

9. In an audit engagement, the engagement quality reviewer should review the engagement completion document and confirm with the engagement partner that there are no significant unresolved matters.[9] The engagement quality reviewer should also evaluate whether the engagement documentation that he or she reviewed indicates that the engagement team responded appropriately to significant risks and supports the conclusions reached by the engagement team with respect to the matters reviewed.[10]

10. In a review of interim financial information, the engagement quality reviewer may provide concurring approval of issuance only if, after performing with due professional care the review required by AS 7, he or she is not aware of a significant engagement deficiency.[11]

11. In performing an EQR for a review of interim financial information, the engagement quality reviewer should evaluate the significant judgments made by the engagement team and the related conclusions reached in forming the overall conclusion on the engagement.[12] The engagement quality reviewer should also, among other things, evaluate the significant judgments that relate to engagement planning, including,

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7 See id. ¶ 10(a).

8 See id. ¶ 10(b).

9 See id. ¶ 10(e).

10 See id. ¶ 11.

11 See id. ¶ 17 ("A *significant engagement deficiency* in a review of interim financial information exists when (1) the engagement team failed to perform interim review procedures necessary in the circumstances of the engagement, (2) the engagement team reached an inappropriate overall conclusion on the subject matter of the engagement, (3) the engagement report is not appropriate in the circumstances, or (4) the firm is not independent of its client.").

12 See id. ¶ 14.

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but not limited to, the consideration of the company's business, recent significant activities, and related financial reporting issues and risks.[13]

12. As part of the EQR for a review of interim financial information, the engagement quality reviewer should also evaluate whether the engagement documentation that he or she reviewed supports the conclusions reached by the engagement team with respect to the matters reviewed.[14]

13. Finally, documentation of an EQR for both audits and interim reviews should contain sufficient information to enable an experienced auditor, having no previous connection with the engagement, to understand the procedures performed by the engagement quality reviewer, including, but not limited to, the documents reviewed by the engagement quality reviewer.[15]

D. Background

14. Capstone was incorporated in Nevada on July 10, 2012, under the name Creative App Solutions, Inc., as a development stage company engaged in the design and sale of mobile applications. On August 26, 2013, the name of the company was changed from Creative App Solutions, Inc. to Capstone Financial Group, Inc. and a new chief executive officer was appointed. Capstone underwent a change of control on September 6, 2013, when nearly 80 percent of the then issued and outstanding common stock was acquired by the newly-appointed chief executive officer.

15. Capstone entered into a revolving line of credit payable with Capstone Affluent Strategies, Inc. ("Affluent"), an entity owned and controlled by Capstone's new chief executive officer on August 8, 2013, according to documents contained in the Firm's FY 2013 Audit work papers. The work papers for the FY 2013 Audit also contain documents indicating that Capstone entered into a revolving line of credit receivable with Affluent on September 13, 2013. Both lines of credit initially had similar terms, including $500,000 in available credit, an interest rate of two percent per annum, and the principal and interest due two years from the date of execution. On October 7, 2013, Capstone and Affluent amended the line of credit receivable to increase, from $500,000 to $2,000,000, the amount of credit available to Affluent and to extend the maturity to two years from the date of the amendment.

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[13] See id. ¶ 15(a).

[14] See id. ¶ 16.

[15] See id. ¶ 19.

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16. Capstone retained the Firm as its independent public accounting firm on November 15, 2013. Stokic performed the EQR for the Firm's review of Capstone's financial statements for the quarter ended September 30, 2013 ("Q3 2013"), while another Firm partner served as the engagement partner. Capstone filed its Form 10-Q for Q3 2013 with the U.S. Securities and Exchange Commission (the "Commission") on November 19, 2013.

17. On December 13, 2013, Capstone filed a Form 8-K announcing that it had entered into an Acquisition Agreement and Plan of Merger ("Merger Agreement") by and among itself, a wholly owned subsidiary of Capstone, and Affluent. As a condition of the merger, Affluent was required to provide Capstone with audited financial statements for the fiscal years ended December 31, 2012 and 2013 within 74 days of the merger closing. The merger was set to close on January 15, 2014.

18. In early 2014, the Firm was engaged to perform an audit of Capstone's 2013 financial statements. Stokic again served as the engagement quality reviewer for the FY 2013 Audit, and the same partner who performed the Firm's review for Q3 2013 again served as the engagement partner. The engagement team for the FY 2013 Audit also included an audit senior who had joined the Firm in January 2014. On April 15, 2014, Capstone filed its 2013 Form 10-K with the Commission in which it disclosed, among other things, that it had completed the merger with Affluent on January 15, 2014. The Firm issued an audit report, dated April 15, 2014, that was included in Capstone's Form 10-K. The Firm's audit report opined that Capstone's financial statements for the year ended December 31, 2013 were presented fairly and in conformity with generally accepted accounting principles and included a going concern explanatory paragraph. The report also stated that the FY 2013 Audit had been conducted in accordance with PCAOB standards.

19. The Firm served as the auditor for the Q1 2014 Review, and the engagement team consisted of the Firm partner and audit senior who performed the FY 2013 Audit, with Stokic again serving as the engagement quality reviewer. On May 20, 2014, Capstone filed its Form 10-Q for the quarter ended March 31, 2014. As part of this filing, Capstone disclosed that the January 2014 merger with Affluent had been rescinded due to the failure of Affluent to provide audited financial statements in accordance with the Merger Agreement.

20. The Firm resigned as Capstone's auditors on July 31, 2014. Capstone failed to obtain new auditors by the time it filed its Form 10-Q for the quarter ended June 30, 2014, and the company's filing on August 19, 2014, noted that the financial statements had not been reviewed. Capstone subsequently engaged new independent auditors on September 5, 2014.

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21. On November 13, 2014, Capstone filed a Form 8-K announcing non-reliance on its financial statements for 2013 and the first two quarters of 2014. After receiving questions from the Commission, Capstone filed a Form 8-K/A on November 24, 2014, announcing further non-reliance on its financial statements for the second and third quarters of 2013. Ultimately, Capstone filed a Form 10-K/A on February 18, 2015, which restated its 2013 financial statements to reflect an additional $581,826 in operating expenses, a 188% increase from what was originally reported. Almost all of the increase in operating expenses was reflected in the restated financial statements as owed to Affluent under the revolving lines of credit.

22. Capstone's 2013 Form 10-K/A also disclosed that Affluent had been dissolved in April 2014, and that, in a series of transactions that transpired in October 2014 (the "October 2014 Transactions"), Capstone had undertaken liability for promissory notes with an original aggregate principal amount of $3.8 million issued by Affluent in favor of Capstone's chief executive officer. The 2013 Form 10-K/A also noted that, in connection with the October 2014 Transactions, the cross lines of credit between Capstone and Affluent were cancelled, but the filing did not include the financial statement impact of this cancellation. Capstone's 2014 Form 10-K, filed on April 30, 2015, disclosed that, in connection with the October 2014 Transactions, Capstone recorded a loss of $1,089,617 from the forgiveness of debt related to the lines of credit.

E. Stokic Violated PCAOB Auditing Standard No. 7 in Connection With the FY 2013 Audit

23. Stokic served as the engagement quality reviewer for the FY 2013 Audit. As detailed below, Stokic violated AS 7 by providing his concurring approval of issuance without performing an EQR for the FY 2013 Audit with due professional care.

Risk Assessment

24. Stokic failed to properly evaluate the significant judgments made, and the related conclusions reached, by the engagement team with respect to audit planning and risk assessment during the FY 2013 Audit.[16]

25. During the FY 2013 Audit, the risk assessment reviewed by Stokic did not assess or document risks of material misstatement at the financial statement level and the assertion level. Further, the financial statement items were aggregated in the risk assessment. As a result, the risk assessment did not identify significant accounts and

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[16] See id. ¶¶ 10(a), (b).

disclosures and their relevant assertions, and failed to evaluate the risk of material misstatement for such items, as required by PCAOB standards.[17] In addition, because the risk assessment did not properly assess the risks of material misstatement and failed to identify significant risks at the financial statement level and the assertion level, the overall strategy for the engagement failed to establish, and the audit plan failed to include, planned risk assessment procedures and planned responses to the risks of material misstatement.[18]

26. Although Stokic reviewed the planning memorandum containing the risk assessment, he provided his concurring approval of issuance without performing his review with due professional care.[19]

Related Party Transactions

27. During the third quarter of 2013, Capstone entered into both a revolving line of credit receivable and a revolving line of credit payable with Affluent, an entity owned and controlled by Capstone's chief executive officer and majority shareholder. As the engagement quality reviewer for the Firm's review of Capstone's Q3 2013 financial statements, Stokic was aware that these two entities were related and had entered into these transactions.

28. Capstone's bank activity statements included in the work papers for the FY 2013 Audit reflect that during the third and fourth quarter of 2013 Capstone repeatedly made cash withdrawals from its bank accounts shortly after receiving funds from either stock sales or revenue transactions. Each of these cash withdrawals were recorded by Capstone as advances to Affluent under the line of credit receivable. During the same time period, Capstone recorded numerous increases to the line of credit payable with Affluent, purportedly to reflect payment of expenses by Affluent that were made on Capstone's behalf.

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[17] See Auditing Standard No. 12, *Identifying and Assessing Risks of Material Misstatement*, ¶ 59.

[18] See id.; Auditing Standard No. 9, *Audit Planning*, ¶¶ 4-5; Auditing Standard No. 13, *The Auditor's Responses to the Risks of Material Misstatement*, ¶ 8.

[19] See AS 7 ¶ 12; AU § 230, *Due Professional Care in the Performance of Work*.

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29. As of December 31, 2013, Capstone's revolving line of credit receivable from Affluent was $1,472,136, which accounted for 92.6 percent of Capstone's total reported assets of $1,589,042. Capstone's revolving line of credit payable to Affluent was $320,240 as of December 31, 2013, which accounted for 96.9 percent of Capstone's total reported liabilities of $330,359.

30. Stokic failed to properly evaluate the significant judgments made, and the related conclusions reached, by the engagement team with respect to related party transactions during the FY 2013 Audit.[20] Although Stokic reviewed the 2013 Form 10-K and engagement documentation regarding the lines of credit, Stokic failed to properly evaluate whether the engagement documentation that he reviewed supported the conclusions reached by the engagement team.[21] Specifically, the engagement documentation reviewed by Stokic did not document an understanding of the business purpose for having both a line of credit receivable and a line of credit payable with similar terms between the same counterparties. Further, the engagement documentation Stokic reviewed did not address several red flags around the related party transactions, including audit evidence suggesting that the money purportedly borrowed by Affluent may have been an illegal personal loan to Capstone's chief executive officer, and audit evidence that called into question whether documentation underlying the line of credit payable to Affluent had been backdated. Finally, the engagement documentation Stokic reviewed did not contain sufficient appropriate audit evidence as to the valuation of the lines of credit, including the collectibility of the line of credit receivable with Affluent.

31. As a result of the failures described above, Stokic provided his concurring approval of issuance without performing his review with due professional care.[22]

Review of the Engagement Completion Document

32. Under AS 7, an engagement quality reviewer is required to review the engagement completion document as part of the EQR.[23] The engagement completion document for the FY 2013 Audit was not in the work papers at the time that Stokic performed his EQR, and Stokic's signature is not on the engagement completion

[20] See AS 7 ¶ 9.

[21] See id. ¶ 11.

[22] See AS 7 ¶ 12; AU § 230.

[23] See AS 7 ¶ 10(e).

document in the audit documentation retained by S&B. Stokic violated AS 7 by failing to review the engagement completion document for the FY 2013 Audit.

F. Stokic Violated PCAOB Auditing Standard No. 7 in Connection With the Q1 2014 Review

33. Stokic served as the engagement quality reviewer for the Q1 2014 Review.

34. Capstone announced on December 13, 2013, that it was entering into the Merger Agreement with Affluent, whereby Affluent would become a wholly-owned subsidiary of the company, and subsequently disclosed in its FY 2013 Form 10-K, filed in April 2014, that the merger had closed in January 2014. Capstone's Form 10-Q for the quarter ended March 31, 2014, however, indicated that its merger with Affluent had been rescinded because Affluent was unable to provide audited financial statements as required by the Merger Agreement. The Form 10-Q also provided that the line of credit receivable with Affluent had increased by over $430,000 to $1,902,670 during the quarter, which represented 92.9 percent of Capstone's total reported assets.

35. Stokic failed to properly evaluate the significant judgments made, and the related conclusions reached, by the engagement team with respect to the line of credit receivable during the Q1 2014 Review.[24] Although Stokic reviewed Capstone's Form 10-Q for the quarter ended March 31, 2014 and the engagement team's Q1 2014 Review work papers related to the line of credit receivable, Stokic failed to properly evaluate whether the engagement documentation that he reviewed supported the conclusions reached by the engagement team.[25] Despite the red flags raised by the rescinded merger and Affluent's inability to provide audited financial statements, there was no evidence in the engagement documentation reviewed by Stokic of any procedures performed regarding the collectibility of the line of credit receivable from Affluent. As a result, Stokic provided his concurring approval without performing his review with due professional care.[26]

[24] See id. ¶ 14.

[25] See id. ¶ 16.

[26] See id. ¶ 17; AU § 230.

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IV.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in Stokic's Offer. Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), Bojan Stokic, CPA is hereby censured; and

B. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Bojan Stokic, CPA is suspended for one (1) year from the date of this Order from being an associated person of a registered public accounting firm, as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i).[27]

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

December 13, 2016

[27] As a consequence of the suspension, the provisions of Section 105(c)(7)(B) of the Act will apply with respect to Stokic. Section 105(c)(7)(B) of the Act provides that "[i]t shall be unlawful for any person that is suspended or barred from being associated with a registered public accounting firm under this subsection willfully to become or remain associated with any issuer, broker, or dealer in an accountancy or a financial management capacity, and for any issuer, broker, or dealer that knew, or in the exercise of reasonable care should have known, of such suspension or bar, to permit such an association, without the consent of the Board or the Commission."