This sample template has been prepared for general guidance and informational purposes only and does not constitute professional advice. You should not act upon the information contained herein without obtaining specific professional advice. No representation or warranty (expressed or implied) is given as to the accuracy or completeness of the information contained herein.

This sample template has been prepared for an LLC entity and does not apply for Corporation use. Furthermore, the disclosures included are not comprehensive of all requirements. Please refer to the Financial Accounting Standards Board (FASB) disclosure framework for consideration of additional notes to be included in the financial statements.

BROKER DEALER LLC

Financial Report

Year Ended December 31, 20XX

With Report of Independent Registered Public Accounting Firm

SEC ID 8 – XXXXX

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 bound separately has been filed with the Securities and Exchange Commission simultaneously herewith as a PUBLIC DOCUMENT.

BROKER DEALER LLC

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PAGE 1 – TO BE PROVIDED BY INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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BROKER DEALER LLC

Statement of Financial Condition
December 31, 20XX

Assets

Cash and cash equivalents	$	-
Investments		-
Receivables from customers		-
Receivable from clearing broker		-
Property and equipment, net		-
Right-of-use asset, net		-
Prepaid expenses and clearing deposits		-
Other assets		-
Total assets	$	-

Liabilities and Members' Equity

Liabilities:		
Accounts payable and accrued expenses	$	-
Accrued commissions		-
Deferred compensation		-
Deferred income		-
Due to related party		-
Operating lease liability		-
Other liabilities		-
Total liabilities		-
Members' equity		-
Total liabilities and members' equity	$	-

See accompanying notes to financial statements.

BROKER DEALER LLC

Statement of Operations
Year Ended December 31, 20XX

Revenues:	
Commissions	$ -
Investment brokerage fees	-
Fee income	-
Advisory and transaction services	-
Private placements	-
Trailing fees	-
Incentive fees	-
Research revenue	-
Handling fees	-
Interest and dividends	-
Total revenues	-
Operating expenses:	
Employee commissions	-
Other employee compensation and benefits	-
Clearing, transaction, and related costs	-
Private placement commissions	-
Advertising	-
Communications and technology	-
Dues and subscriptions	-
Office and occupancy expenses	-
Professional fees	-
Regulatory fees and expenses	-
Travel and entertainment	-
Other operating expenses	-
Total operating expenses	-
Net income	$ -

See accompanying notes to financial statements.

BROKER DEALER LLC

Statement of Changes in Member's Equity
Year Ended December 31, 20XX

Balance, January 1, 20XX	$ -
Contributions from members	-
Distributions to members	-
Net income	-
Balance, December 31, 20XX	$ -

See accompanying notes to financial statements.

BROKER DEALER LLC

Statement of Cash Flows
Year Ended December 31, 20XX

Cash flows from operating activities:	
Net income	$ -
Adjustments to reconcile net income to net cash flows from operating activities:	
Reinvested interest and dividends	-
Depreciation	-
Loss on disposal of property and equipment	-
Non-cash lease expense	-
Change in operating assets and liabilities:	
Receivable from clearing broker	-
Prepaid expenses and clearing deposits	-
Other assets	-
Accounts payable and accrued expenses	-
Accrued commissions	-
Deferred compensation	-
Deferred income	-
Other liabilities	-
Net cash used in operating activities	-
Cash flows from investing activities:	
Purchases of investments	-
Proceeds from sale of investments	-
Purchases of property and equipment	-
Net cash used in investing activities	-
Cash flows from financing activities:	
Contributions from members	-
Distributions to members	-
Net cash provided by financing activities	-
Net change in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	$ -

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies:

Nature of Business: *Provide a brief description of the nature of the company's operations and its principal activities.*

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

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

Risks and Uncertainties: Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents and receivables from customers. The Company maintains cash and cash equivalents in broker-dealers and banks offering protection for cash by the Securities Investor Protection Corporation ("SIPC") or Federal Depository Insurance Company ("FDIC") up to $250,000. In addition, the Company diversifies holdings in multiple broker-dealers and banks to reduce the exposure of exceeding the SIPC and FDIC limits.

At December 31, 20XX, ___ customers accounted for ___% of receivables from customers and ___ customers accounted for ___% of total revenue for the year then ended.

Cash and Cash Equivalents: The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments: The Company follows FASB guidance with respect to fair value measurements. This guidance provides a framework for measuring fair value under GAAP, for all financial assets and liabilities measured at fair value on a recurring basis (see Note 2).

Allowance for Doubtful Accounts: The Company uses the allowance method of accounting for doubtful accounts. The allowance is based on management's estimate of the amount of receivables that will actually be collected. At December 31, 20XX, management has determined that no allowance for uncollectible accounts is necessary.

Receivables from Clearing Broker: The Company clears all of its proprietary and customer transactions through another broker-dealer on a fully disclosed basis. Based on the terms and conditions of the Company's agreement with its clearing broker, the amount receivable from the clearing broker represents cash on hand with the clearing broker plus commission receivables and less amounts payable for transaction costs on unsettled securities trades.

1. Summary of Significant Accounting Policies, Continued:

Property and Equipment: Property and equipment are stated at cost, less accumulated depreciation. Major repairs and betterments are capitalized, and routine repairs and maintenance are charged to expense as incurred. The cost and related accumulated depreciation on property and equipment sold or otherwise disposed of are removed from the accounts and any gain or loss is reported in the current year's operations. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets that range from __ to __ years.

Revenue Recognition:

Commissions: The Company receives commissions for the sale of mutual funds, insurance policies, and other financial products to customers. The Company earns trail commissions and 12b-1 fees on certain mutual funds sold to customers for a specified period of time that the customer remains in the fund. The Company records trail commission revenue as trail commissions are remitted to the Company from the mutual funds. The Company believes sufficient uncertainty exists outside of the Company's control as to the length of time the customer will remain in the mutual fund and therefore does not recognize trail commission revenue until that contingency is resolved. The Company records commission revenue for sales of insurance policies on the effective date of the policy and after all contingencies have been resolved during the lookback period. Revenue from the sale of other financial products is recorded on the trade date. The Company believes the performance obligation is satisfied on the trade date, because that is the date that the underlying purchaser is identified, the pricing has been agreed upon, and the risks and rewards of ownership have been transferred.

Investment Brokerage Fees: The Company buys and sells securities on behalf of certain customers. Each time a customer enters into a buy or sell transaction, the Company charges a commission. Commission revenue and related clearing expenses are recorded on the trade date (the date that the Company fills the trade order by finding and contracting with a counterparty and confirms the trade with the customer). The Company believes that the performance obligation is satisfied on the trade date because that is when the underlying purchaser is identified, the pricing is agreed upon and the risks and rewards of ownership have been transferred.

Fee Income: The Company provides marketing and consulting services to customers which includes solicitation of investors for customers that want to raise funds. The Company's performance obligation to the customer is considered completed on the closing date of the transaction. The Company also earns trailing fees on these contracts that vary based on the specific performance measures as defined in the contract. These fees are recognized as revenue over the period of time the customer receives the benefit from the investors solicited by the Company.

The Company also earns revenue through securing investors to purchase equity securities and other financial instruments for their customers. Revenue is recognized at a point in time upon closing of the equity raise. In 20XX, the Company earned revenue through the sale of certain client financial instruments. Revenue is recognized at the point in time upon transfer of the financial instruments to the purchaser.

1. Summary of Significant Accounting Policies, Continued:

Revenue Recognition, Continued:

Advisory Fees and Transaction Services: The Company provides advisory services on managed accounts for certain customers. The Company believes the performance obligation for providing advisory services is satisfied over time because the customer is receiving and consuming the benefits as they are provided by the Company. Fee arrangements are based on a percentage applied to the customer's assets under management. Fees are received throughout the year and are recognized in the period for which the advisory services are provided.

Private Placement Fees: The Company provides advisory services in raising capital. Revenue earned for successful closings of raising capital are recognized at the point in time that performance under the arrangement is completed (the closing date of the transaction).

Trailing Fees and Incentive Fees: The Company may derive ongoing revenue earned from previous placement transactions that is recognized as earned on the terms of the underlying placement agreements and is based on the market value of the private placement investments. The Company meets its performance obligations at the time of placement, though fees are earned for the duration of each customer investment. The two components of Company revenue are: (a) Investment Trailing Fees: fees based as a percentage of market value (or net asset value) as of each month-end, thus a variable consideration which is recognized by the Company when such fees can be estimated with a high degree of certainty, and (b) Investment Incentive Fees: fees based as a percentage of investment performance that are calculated as of each month-end but are paid to the Company on an annual basis based on the investment performance for the calendar year. Incentive Fees are subject to a claw-back provision whereby negative investment performance within a given month reduces the cumulative Incentive Fee for the year, until crystallization occurs as of calendar year-end and the Incentive Fee is known with a certainty of receipt by the Company. These performance-based fees are considered variable consideration and are recognized by the Company upon crystallization

Research Revenue: The Company provides research services for certain customers. Research services are billed to the customer at the time the research is complete, the information is delivered to the customer, and the customer accepts receipt of the information. The Company believes the performance obligation for providing research services is satisfied at the point in time the information is delivered by the Company to the customer and accepted by the customer.

Handling Fee: The Company earns handling fees as a flat fee for security transactions executed on behalf of clients. The fees are recognized at the time the transaction is executed and cleared through the Company's clearing broker.

Interest and Dividend Income: Interest and dividend income are recognized as earned from participation on client brokerage accounts in accordance with the terms specified in the customer brokerage agreements and the Company's clearing contract.

1. Summary of Significant Accounting Policies, Continued:

Revenue Recognition, Continued:

The following table disaggregates the Company's fee income based on the timing of revenue recognition for the year ended December 31, 2019:

Revenue earned at a point in time	$ -
Revenue earned over time	-
	$ -

In some circumstances, significant judgment is needed to determine the timing and measure of progress appropriate for revenue recognition under a specific contract. Retainers and other fees received from customers prior to recognizing revenue are reflected as contract liabilities and recorded as deferred income on the accompanying statement of financial condition. The Company recorded contract liabilities of $_____ and $_____ at January 1, 20XX and December 31, 20XX, respectively. Contract assets are recognized as receivables from customers and receivables from clearing broker on the accompanying statement of financial condition. The Company recorded contract assets of $_____ and $_____ at January 1, 20XX and December 31, 20XX, respectively.

Income Taxes: The Company has elected to be treated as a partnership under the provisions of the Internal Revenue Code, which provides that the members are taxed on the Company's taxable income or loss. Similar provisions apply for state and local income tax reporting. Accordingly, no provision for income taxes is provided in the accompanying financial statements.

Income Tax Uncertainties: The Company follows the FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance as of December 31, 20XX. The Company is not currently under audit by any tax jurisdiction.

1. Summary of Significant Accounting Policies, Continued:

New Accounting Guidance: In February 2016, the FASB issued ASU 2016-02 - Leases (Topic 842). The update requires that all leasing activity with initial terms in excess of twelve months be recognized on the statement of financial position with a right of use asset and a lease liability. The standard requires entities to classify leases as either a finance or operating lease based upon the contractual terms. Lessees record a right of use asset with a corresponding liability based on the net present value of rental payments. The Company adopted the standard during 20XX, under the modified retrospective approach to the earliest period presented. The adoption of Topic 842 resulted in the recording of a right of use asset and corresponding liability on the Company's statement of financial condition.

2. Fair Value Measurement:

The fair value guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of the three levels. These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 assets and liabilities include debt and equity securities traded in an active exchange market, as well as certain U.S. Treasury securities that are traded by dealers or brokers in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3 – Valuation is determined using model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company’s own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models and similar techniques.

2. Fair Value Measurement, Continued:

Assets and liabilities measured at fair value on a recurring basis at December 31, 20XX, include the following:

	Fair Value Using			Assets/Liabilities
	Level 1	Level 2	Level 3	at Fair Value
Assets:				
Investments	$ -	$ -	$ -	$ -
Total assets	$ -	$ -	$ -	$ -

The following table provides a reconciliation between the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis in the table above that used significant unobservable inputs (Level 3):

Balance, beginning of year	$ -
Distributions	-
Unrealized gain/loss	-
Balance, end of year	$ -

3. Property and Equipment:

Property and equipment at December 31, 20XX consisted of the following:

Computer equipment	$ -
Funiture and fixtures	-
Website	-
	-
Less: accumulated depreciation	-
Property and equipment, net	$ -

Depreciation expense for 20XX was $_____ and is included in other operating expenses on the accompanying statement of operations.

4. Right of Use Asset and Operating Lease Liability:

Describe Company's lease portfolio, including lease terms.

In accordance with ASU 2016-02, an operating right of use asset and operating lease liability were recorded at the time the ASU was adopted based on the present value of the future lease payments using a discount rate ranging from ___% to ___%, the Company's weighted average estimated incremental borrowing rate. The Company elected the practical expedient to account for the non-lease components for all asset classes.

Future maturities of the operating lease liability as of December 31, 2019 are as follows:

Year	
20XX	$ -
20XX	-
20XX	-
20XX	-
20XX	-
Thereafter	-
	-
Less: discount to present value	-
	$ -

Cash paid for amounts included in the measurement of the operating lease liability was $_____ for the year ended December 31, 20XX.

5. Financial Instruments with Off-Balance Sheet Risk:

As a securities broker, the Company is engaged in buying and selling securities as an agent for a diverse group of individuals and institutional investors. The Company introduces these transactions for clearance to another firm on a fully disclosed basis. The agreements between the Company and its clearing broker provide that the Company is obligated to assume any exposure related to nonperformance by its customers.

If any transactions do not settle, the Company may incur a loss if the market value of the security is different from the contract value of the transaction. The Company monitors its customer activity by reviewing information it receives from its clearing broker on a daily basis, requiring customers to deposit additional collateral, or reduce positions when necessary.

The Company does not anticipate nonperformance by customers or counterparties in the above situations. The Company's policy is to monitor its market exposure and counterparty risk and to review, as necessary, the credit standing of each counterparty and customer with which it conducts business.

6. Related Party Transactions:

The Company is related, through common ownership and control, to Parent Company. The Company has an agreement with Parent Company whereby expenses incurred by the Parent Company on behalf of the Company will be paid back monthly. There are also overhead expenses allocated from Parent Company back to the Company based on an allocation percentage agreed upon in an Expense Sharing Agreement. The Company incurred expenses from Parent Company of $_____ for 20XX, which is included in office and occupancy expenses on the accompanying statement of operations. The Company had a payable due to Parent Company of $_____ at December 31, 20XX.

7. Indemnifications:

The Company has certain obligations to indemnify its managers and officers for certain events or occurrences while the manager or officers are, or were, serving at the Company's request in such capacities. The maximum liability under these obligations is limited by the Code of Virginia; however, the Company's insurance policies serve to further limit its exposure.

8. Regulatory Requirements:

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 20XX, the Company had net capital of $_____, which was $_____ in excess of required minimum net capital of $_____. The Company's net capital ratio was __ to 1.

The Company does not carry the accounts of its customers and accordingly is exempt from Rule 15c3-3(k)(2)(ii) from preparing the Computation for Determination of Reserve Requirements pursuant to Rule 15c3-3.

BROKER DEALER LLC

Computation of Net Capital Pursuant to
Rule 15c3-1 of the Securities Exchange Act of 1934
December 31, 20XX

Members' equity:		
Members' equity qualified for net capital	$	-
		-
Nonallowable assets and miscellaneous capital charges:		
Nonallowable receivables		-
Due from related parties		-
Property and equipment, net		-
Other assets		-
		-
Net capital before capital charges on firm securities		-
Less: haircuts on firm securities positions		-
Net capital	$	-
Amounts included in total liabilities which represent aggregate indebtedness		
Accrued commissions	$	-
Accounts payable and accrued liabilities		-
	$	-
Mininum net capital required (the greater of $5,000 or 6-2/3% of aggregate indebtedness	$	-
Net capital excess of minimum requirements	$	-
Ratio of aggregate indebtedness to net capital		XX to 1

Note: There are no material differences between the amounts presented above and the amounts reported on the Company's unaudited FOCUS report as originally filed as of December 31, 20XX.

BROKER DEALER LLC

Exemption Provision of Reserve Requirements Pursuant
to Rule 15c3-3 of the Securities Exchange Act of 1934
December 31, 20XX

The Company is exempt under Rule 15c3-3(k)(2)(i) from preparing the Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.

See Report of Independent Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO BE PROVIDED BY INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

BROKER DEALER LLC

Exemption Report Pursuant

Broker Dealer LLC (SEC file number 8-XXXXX) is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. §240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

(1) The Company claimed an exemption from 17 C.F.R. §240.15c3-3 under the provisions of 17 C.F.R. §240.15c3-3(k):(2)(i)

(2) The Company met the identified exemption provision in 17 C.F.R. §240.15c3-3(k) throughout the most recent fiscal year without exception.

Broker Dealer LLC

I, Managing Member, swear (or affirm) that, to the best of my knowledge and belief, this Exemption Report is true and correct.

_____

Managing Member

February XX, 20XX