

NatAlliance Securities, LLC
Notes to Financial Statements
December 31, 2021

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

ANNUAL REPORTS
FORM X-17A-5
PART III

OMB APPROVAL
OMB Number: 3235-0123
Expires: Oct. 31, 2023
Estimated average burden hours per response: 12

SEC FILE NUMBER

FACING PAGE

Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING 01/01/2021 AND ENDING 12/31/2021
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: NatAlliance Securities, LLC

TYPE OF REGISTRANT (check all applicable boxes):

- ☒ Broker-dealer ☐ Security-based swap dealer ☐ Major security-based swap participant
☐ Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

111 Congress Ave Ste 800

(No. and Street)

Austin

78701

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Fred Bush

512-609-1735

fbush@natalliance.com

(Name)

(Area Code – Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

Cherry Bekaert LLP

(Name – if individual, state last, first, and middle name)

200 S. 10th St. Ste.900

Richmond

VA

23219

(Address)

(City)

(State)

(Zip Code)

10/20/2003

677

(Date of Registration with PCAOB)(if applicable)

(PCAOB Registration Number, if applicable)

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* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

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NatAlliance Securities, LLC
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OATH OR AFFIRMATION

I, Fred Bush, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of NatAlliance Securities LLC, as of December 31, 2021, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.

Signature: _____

Title: CFO

Notary Public

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

- ☒ (a) Statement of financial condition.
- ☒ (b) Notes to consolidated statement of financial condition.
- ☒ (c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income (as defined in § 210.1-02 of Regulation S-X).
- ☒ (d) Statement of cash flows.
- ☒ (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- ☐ (f) Statement of changes in liabilities subordinated to claims of creditors.
- ☒ (g) Notes to consolidated financial statements.
- ☐ (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- ☐ (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- ☐ (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- ☐ (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- ☐ (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- ☐ (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- ☐ (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- ☒ (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- ☐ (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- ☒ (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- ☐ (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☒ (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☒ (t) Independent public accountant's report based on an examination of the statement of financial condition.
- ☐ (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- ☐ (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- ☐ (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- ☐ (z) Other: _____

**To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.

NatAlliance Securities, LLC
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December 31, 2021



Report of Independent Registered Public Accounting Firm

To the Member
NatAlliance Securities, LLC
Austin, Texas

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of NatAlliance Securities, LLC (the "Company") as of December 31, 2021, and the related statement of operations, member's capital, and cash flows for the year then ended, and the related notes (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 December 31, 2021, 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 United States 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.

The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Auditor's Report on Supplemental Information

The supplemental information contained in Schedule 1, Computation of Net Capital and Net Capital Ratio under Rule 15c3-1, 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. Section 240.17a-5 under the Securities Exchange Act of 1934. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Cherry Bekaert LLP

This is the first year we have served as the Company's auditor.

Austin, Texas
February 28, 2022

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NatAlliance Securities, LLC
Notes to Financial Statements
December 31, 2021

**Statement of Financial Condition
December 31, 2021**

Assets

Cash and cash equivalents	\$ 181,830
Cash segregated under federal regulations	1,109,036
Certificate of deposit	28,472
Accounts receivable	80,543
Debt securities, at fair value	52,640,807
Trading deposit with clearing broker-dealer	9,365,108
Clearing deposits	353,817
Operating lease rights of use asset	647,800
Property and equipment, net of accumulated depreciation of \$356,838	91,244
Other assets	569,243
Total assets	\$ 65,067,900

Liabilities and Member's Capital

Accounts payable and accrued expenses	\$ 109,736
Accrued compensation payable	884,761
Debt securities sold, not yet purchased	22,523,147
Debt securities sold under agreements to repurchase	4,861,030
Lease liability	664,256
Deferred liability soft dollar clients	1,770,201
Payable to clearing broker-dealer	22,262,858
Total liabilities	53,075,989

Members Capital	11,991,911
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Total liabilities and member's capital	\$ 65,067,900
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NatAlliance Securities, LLC
Notes to Financial Statements
December 31, 2021

Statement of Operations
For the Year Ended December 31, 2021

Revenues:

Trading profits, net of trading interest expense of \$569,594	\$ 17,746,676
Other revenues	622,800
Interest	3,553,718
Total revenues	<u>21,923,194</u>

Operating expenses:

Compensation and related costs	13,090,149
News and quotes	2,582,420
Clearing and execution costs	1,024,803
Write off of account recievable	76,655
Dues and subscriptions	536,151
Occupancy and equipment	999,692
Professional fees	390,606
Travel and entertainment	141,362
Communications	332,994
Regulatory fees	275,340
Other expenses	152,612
Depreciation	37,403
Total operating expenses	<u>19,640,187</u>

Other Income

Gain on forgivess of Paycheck Protection Program loan	<u>1,117,723</u>
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Net Income	<u><u>\$ 3,400,730</u></u>
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See notes to financial statements

NatAlliance Securities, LLC
Notes to Financial Statements
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Statement of Changes in Member's Capital
For the Year Ended December 31, 2021

		<u>Members' Capital</u>
Balance at December 31, 2020	\$	14,030,665
Distributions to NatAlliance Holdings LLC		(5,439,484)
Net Income		<u>3,400,730</u>
Balance at December 31, 2021	\$	<u><u>11,991,911</u></u>

See notes to financial statements

NatAlliance Securities, LLC
Notes to Financial Statements
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Statement of Cash Flows
For the Year Ended December 31, 2021

Cash flows from operating activities:

Net Income	\$ 3,400,730
Adjustments to reconcile net income to net cash provided by operating activities:	
Write off of account recievable	76,655
Depreciation	37,403
Gain on foregiveness of Paycheck Protection Program	(1,117,723)
Amortization of lease right of use assets, net of accretion in lease liabilities	802,355
Increase(decrease) in cash resulting from chanes in:	
Accounts receivable - other	725,435
Debt securities, at fair value	(20,533,393)
Trading and clearing deposits	7,099,760
Other assets	(19,315)
Accounts payable and accrued expenses	(3,695,168)
Accrued compensation payable	(446,379)
State income taxes payable	(35,113)
Debt securities sold, not yet purchased	15,936,884
Debt securities sold under agreements to repurchase	(5,871,483)
Payable to clearing broker-dealer	8,344,921
Lease liability	(785,899)
Net cash provided by operating activities	<u>3,919,669</u>

Investing Activities

Purchase of property and equipment	(1,071)
Net cash used in investing activities	<u>(1,071)</u>

Financing Activities

Holding capital reductions	(5,439,484)
Net cash used in financing activities	<u>(5,439,484)</u>

Net change in cash (1,520,886)

Cash, cash equivalents and segregated cash at beginning of year 2,811,752

Cash,cash equivalents and segregated cash at end of year \$ 1,290,866

NatAlliance Securities, LLC
Notes to Financial Statements
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Note 1 – Nature of Business

NatAlliance Securities, formerly, National Alliance Securities Corporation (NASC) began operations in June 2003, under the laws of the State of Nevada. NASC converted from a corporation to a limited liability company effective December 31, 2012. The conversion was a change in legal form and tax status. Effective January 1, 2019, NatAlliance Securities LLC became a wholly owned subsidiary of NatAlliance Holdings LLC (“Holdings”). The Company is registered with the Securities and Exchange Commission (SEC) as a broker-dealer in securities and is a member of the Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC).

The Company’s operations consist primarily in trading of debt securities for its own account and brokering debt securities for institutional customers. The Company also trades debt securities in the secondary wholesale market. The Company’s securities trading and brokering consist primarily in U.S. government securities, mortgage-backed securities, municipal bonds and corporate bonds. The majority of the Company's customers are institutions and broker-dealers located throughout the United States.

The Company operates under the exemptive provisions of Rule 15c3-3(k)(2) (ii) of the Securities Exchange Act of 1934, and accordingly, is exempt from the remaining provisions of that Rule. The Company does not hold customer funds or securities, but as an introducing broker-dealer, clears all transactions on behalf of customers on a fully disclosed basis through clearing broker-dealers. The clearing broker-dealers carry all of the accounts of the customers and maintain and preserve all related books and records as are customarily kept by a clearing broker-dealer. The Company’s trading for its own account is also executed through its primary clearing broker-dealer.

Note 2 - Significant Accounting Policies

Basis of Accounting

These financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”).

Use of Estimates

The preparation of financial statements 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market funds and highly liquid investments with original maturity dates of three months or less, excluding cash segregated under federal regulations, clearing deposits and trading deposit.

Debt Securities

Debt securities are held for trading purposes, recorded on the trade date and valued at their estimated fair value, as described in Note 3. The increase or decrease in fair value is included in trading profits in the accompanying statement of operations.

NatAlliance Securities, LLC
Notes to Financial Statements
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Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and consists of office furniture and equipment. Depreciation is provided using the straight-line method based over the estimated useful lives of two to five years.

Debt Securities Sold, Not Yet Purchased

Debt securities sold, not yet purchased consist of debt securities the Company has sold that it does not currently own and will therefore be obligated to purchase such securities at a future date. These obligations are recorded on the trade date and valued at their estimated fair value, as described in Note 3. The increase or decrease in fair value is included in trading profits in the accompanying statement of operations.

Collateralized Financing Agreements

Transactions involving debt securities purchased under agreements to resell (reverse repurchase agreements or reverse repos) and debt securities sold under agreements to repurchase (repurchase agreements or repos) are accounted for as collateralized agreements or financings except where the Company does not have an agreement to sell (or purchase) the same or substantially the same securities before maturity at a fixed or determinable price. It is the policy of the Company to obtain possession of collateral with a fair value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate. Reverse repos and repos are initially recorded at their contracted resale or repurchase amounts. Interest on such contract amounts is accrued and is included in repo and reverse repo balances.

Revenue Recognition

Revenue from contracts with customers is recognized when, or as, the Company satisfies its performance obligations by transferring promised goods or services to customers. A good or service is transferred to a customer when, or as, the customer obtains control of that good or service. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied at a point in time is recognized at the point in time that the Company determines the customer obtains control over the promised good or service. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled in exchange for those promised goods or services. The implementation of the new standard did not impact our method of revenue recognition.

Trading profits, securities commissions and the related expenses are recorded on a trade date basis as the transactions occur. Customer security transactions that are executed through the Company's proprietary trading account are recorded on a trade date basis as principal commission revenues when the performance obligation is satisfied. The related expenses are also recorded on a trade date basis.

Net dealer inventory and investment revenue results from securities transactions entered into for the account of the Company. Net dealer inventory and investment revenue includes both realized and unrealized gains and losses, which are recorded on a trade date basis when the performance obligation is satisfied. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Other income includes pricing service revenue, research revenue and insurance or annuity commissions. These amounts are recognized when the performance obligation is satisfied

NatAlliance Securities, LLC
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Soft Dollar Transactions

The Company segregates cash under federal regulations for the benefit of customers related to soft dollar transactions. Qualified research expenses designated by soft dollar customers are paid by the Company from segregated cash.

Leases

The Company recognizes assets, representing rights-of-use (“ROU”), and lease liabilities, representing amounts owed under the lease on the statement of financial position (Note 9).

Income Taxes/Change in Tax Status

The Company is a limited liability company and is taxed at the member level rather than at the corporate level for federal income tax purposes. Therefore, there is no provision for federal income taxes. The Company is subject to various state taxes, primarily the Texas Franchise tax, and taxes to California, Connecticut, Florida, New Jersey, New York and North Carolina; however, these are charged and paid at the Holdings level. For reporting purposes the Company is included in a combined tax return with Holdings.

Note 3 - Fair Value of Financial Instruments

Fair value accounting standards establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. The hierarchy prioritizes inputs and valuation techniques used to develop the measurements of fair value into three levels.

The three broad levels of the fair value hierarchy are as follows:

Level 1 – Fair value is based on quoted unadjusted prices for identical instruments in active markets to which the Company has access at the date of measurements.

Level 2 – Fair value is based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observed in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances prices vary substantially over time or among brokered market makers.

Level 3 – Fair value is model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Company’s own assumptions that market participants would use to price the asset or liability based on the best available information.

Following is a description of the valuation techniques applied to the Company’s major categories of assets and liabilities measured at fair value on a recurring basis.

Investments in debt securities, reverse repurchase agreements, repurchase agreements and debt securities sold, not yet purchased are carried at estimated fair value and categorized as level 2 of the fair value hierarchy. Fair value has been measured by the Company’s primary clearing broker-dealer or by pricing services used by the clearing broker-dealer using the actual trading prices of similar securities. When trading prices are not available for similar securities the pricing services

NatAlliance Securities, LLC
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use market observable inputs in determining the valuation for a security based on underlying characteristics of the debt instruments.

Substantially all the Company's other financial asset and liability amounts reported in the statement of financial condition are short term in nature and approximate fair value.

The following table summarizes the valuation of the Company's major security types by the fair value hierarchy levels as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Debt Securities Owned	-	52,640,807	-	52,640,807
Totals	\$ -	\$ 52,640,807	\$ -	\$ 52,640,807
Liabilities				
Debt Securities Sold Under Agreements				
to Repurchase	\$ -	\$ 4,861,030	\$ -	\$ 4,861,030
Debt Securities Sold, Not Yet Purchased	-	22,523,147	-	22,523,147
Totals	\$ -	\$ 27,384,177	\$ -	\$ 27,384,177

Transfers between levels are recognized at the end of the reporting period. During the year ended December 31, 2021, the Company recognized no transfers to and from level 1 and level 2. There were no level 3 investments held by the Company during 2021.

Note 4 - Transactions with Clearing Broker-Dealers

The Company has a clearing agreement with its primary clearing broker-dealer, Hilltop Securities (HT), to provide execution and custody of debt security transactions for customers and trading for its own account. Clearing charges are incurred at a fixed rate multiplied by the number of tickets traded by the Company. The clearing agreement requires the Company to maintain a minimum clearing deposit of \$250,000.

The Company also has a trading deposit with HT in the amount of \$9,365,108 at December 31, 2021. The trading deposit is required to satisfy margin requirements associated with the Company's trading inventory. The amount of margin required fluctuates daily depending on the amount and type of securities held in the Company's inventory trading accounts.

The Company had a payable to HT of \$22,523,147 at December 31, 2021. The payable balance fluctuates daily as the Company purchases and sells securities through HT for its own account. Interest is calculated daily (1.63% at December 31, 2021), based on a fixed spread over the federal funds rate and paid monthly. The Company's debt securities owned are held by HTS as collateral.

NatAlliance Securities, LLC
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Note 5 - Debt Securities Purchased Under Agreements to Resell

Debt securities purchased under agreements to resell are collateralized financing agreements for debt securities the Company financed. Reverse repurchase activities were transacted under a master repurchase agreement with a national broker-dealer (borrower). The Company receives collateral in the form of debt securities in connection with debt securities financed. The agreement gives the Company a right, in the event of default, to liquidate the collateral held and to offset any receivable from the borrower. There were zero reverse repurchase transactions outstanding at December 31, 2021. The Company is permitted to sell the securities held as collateral; therefore, is obligated to purchase similar securities at the future date to close the reverse repurchase transactions. In the event the collateral value decreases, additional collateral would be required. Interest varies on each repurchase transaction, is calculated daily based on a fixed spread over the federal funds rate and received when the obligations are settled.

Note 6 - Debt Securities Sold Under Agreements to Repurchase

Debt securities sold under agreements to repurchase are collateralized financing agreements for debt securities the Company owns. Repurchase activities were transacted under a master repurchase agreement with a national broker-dealer (lender). The Company pledges debt securities to collateralize repurchase agreements. The agreements give the lender a right, in the event of default, to liquidate the collateral held and to offset any receivables from the Company. There were seven repurchase transactions outstanding at December 31, 2021 with a total contracted repurchase liability of \$4,861,030. The fair value of debt securities provided by the Company as collateral under these agreements to repurchase totaled \$5,042,507. The Company has not recorded a repo deficit benefit in the computation of net capital. In the event the collateral value decreases, additional collateral may be required.

Interest varies on each repurchase transaction, is calculated daily (0.75% to 1.5% on December 31, 2021), based on a fixed spread over the federal funds rate and paid when the obligations are settled.

Repurchase agreements, repurchase to maturity transactions and securities loaned accounted for as secured borrowings

The following table presents the remaining contractual maturity of repurchase agreements and securities lending transactions accounted for as secured borrowing

<u>\$ in millions</u>	<u>Overnight and continous</u>	<u>Up to 30 days</u>	<u>30-90 days</u>	<u>Greater than 90 days</u>	<u>Total</u>
<u>December 31, 2021</u>					
Agency MBS and CMOs	\$ 4.9	\$ -	\$ -	\$ -	\$ 4.9
Total collateralized financings agreements	<u>\$ 4.9</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4.9</u>

As of December 31, 2021 we did not have any “repurchase to maturity” agreements which are repurchase agreements where a security is transferred under an agreement to repurchase and the maturity of the repurchase agreement matches the maturity date of the underlying security.

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Note 7 - Net Capital Requirements

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn, or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. On December 31, 2021, the Company had net capital of \$7,380,840 which was \$7,130,840 in excess of its required net capital of \$250,000. The Company's ratio of aggregate indebtedness to net capital was 0.4654 to 1 at December 31, 2021.

Note 8 - Retirement Plan

The Company has a 401(k)-profit sharing plan covering substantially all employees. Under this plan, employees may make elective contributions as allowed under federal law and the Company may make matching and discretionary contributions. Employee contributions and Company contributions are vested immediately. For the year ended December 31, 2021, the Company made no matching or profit-sharing contribution. The Company did not incur any expenses related to the plan. Plan expenses are recorded as compensation and related costs in the accompanying statement of operations.

Note 9 - Commitments and Contingencies

Operating Leases

The Company leases branch office facilities in certain locations under non-cancellable lease agreements expiring at various times from through 2023. Rent expense for the year totaled approximately \$1,000,000 and is reflected in the accompanying statement of operations as occupancy and equipment costs. All leases are classified as operating leases in conformity with the provisions of Topic 842.

The assumptions used in determining the lease components of the operating lease right of use assets and operating lease liabilities included in the accompanying December 31, 2021 balance sheet are as follows:

- Lease term – Topic 842 provides that the lease term consists of: (a) the non-cancelable period of the lease; and (b) the period covered by the Company option to extend the lease for which the Company is reasonably certain to do so. Based on the foregoing, management determined the lease terms through the various maturity dates ending in 2023.
- Discount rate – Topic 842 provides that the discount rate is the rate implicit in the lease unless that rate cannot be determined, in which case the lessee's incremental borrowing rate shall be used. Because neither the rate implicit in the lease nor the Company's incremental borrowing rate were determinable, discount rates were obtained with reference to research of public debt markets for entities with credit risk similar to the Company. The Company determined a discount rate of 3% to be reasonable.

The Company reported a ROU asset and Lease Liability of approximately \$648,000 and \$664,000, respectively as of December 31, 2021. Amortization of the ROU asset for the year ended December

NatAlliance Securities, LLC

Notes to Financial Statements

December 31, 2021

31, 2021 totaled \$755,000. Future maturities of the lease liability as of December 31, 2021 were as follows:

2022	\$478,028
2023	<u>200,748</u>
Total undiscounted cash flows	678,777
Less: discount applied	<u>(14,521)</u>
Total lease liabilities	\$664,256

Contingencies

The nature of the Company's business subjects it to various claims, regulatory examinations, other proceedings, and legal actions in the ordinary course of business.

The Company is not involved in any other FINRA and SEC matters that have arisen in the ordinary course of business. No provision has been accrued in the financial statements as of December 31, 2021 for potential litigation or settlements

Note 10 – Related Party Transactions

Holdings pays certain administrative costs on behalf of the Company. There is no formal agreement between the two entities; however, Holdings allocates costs to the Company that relate directly to the Company's operations. During the year ended December 31, 2021 the Company paid approximately \$12,948,000 to Holdings for these shared costs which is included in compensation and related costs on the accompanying statement of operations.

Note 11 - Off-Balance-Sheet Risk

As discussed in Note 1, the Company's customers' securities transactions are introduced on a fully disclosed basis with its clearing broker-dealers. The clearing broker-dealers carry all the accounts of the customers of the Company and are responsible for execution, collection and payment of funds, and receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker-dealer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the credit worthiness of its customers and that Customer transactions are executed properly by the clearing broker-dealer.

The Company has sold securities that it does not own and will therefore be obligated to purchase such securities at a future date. The Company records these obligations in the financial statements at fair values of the related securities and will incur a loss if the fair value of the securities subsequently increases.

Note 12 - Concentration of Credit Risk

The Company is subject to concentration risk by holding large positions in debt securities.

The Company has debt securities, trading deposit and a clearing deposit, due from and held by its primary clearing broker-dealer, HTS, totaling \$62,360,000 or approximately 95% of total assets at December 31, 2021.

NatAlliance Securities, LLC
Notes to Financial Statements
December 31, 2021

The Company also has securities sold, not yet purchased and a payable to its primary clearing broker-dealer, HT, totaling approximately \$44,786,000 or approximately 84% of total liabilities.

Note 14 – Paycheck Protection Program Loan

The Company received a loan under the Paycheck Protection Program (“PPP”) for an amount of \$1,106,507, which was administered by the Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act. The application for the PPP loan required the Company to, in good faith, certify that the economic uncertainty made the loan request necessary to support the ongoing operation of the Company. This certification further required the Company to take into account their business activities and ability to access other sources of liquidity sufficient to support the ongoing operations in a manner that is not significantly detrimental to the business. The receipt of the funds from the PPP loan and forgiveness of the PPP loan are dependent on the Company initial having qualified for the PPP loan and qualifying for the forgiveness of such PPP loan based on funds being used for certain expenditures such as payroll costs and rent, as required by the terms of the PPP loan. During the year ended December 31, 2021 the PPP loan including accrued interest totaling \$1,117,723 was fully forgiven by the SBA and is included in other income on the statement of operations.

NOTE 15 – Subsequent Events

The Company has evaluated subsequent events through February 28, 2022 the date these financial statements were available to be issued. No material changes have impacted the Company since December 31, 2021 and none are expected.

NatAlliance Securities, LLC
Notes to Financial Statements
December 31, 2021

Computation of Net Capital and Aggregate Indebtedness
Pursuant to Rule 15c3-1 of the Securities and Exchange Commission
For the Year Ended December 31, 2021

Computation of Net Capital

Total capital qualified for net capital	11,991,911
Deductions and/or charges	
Non-allowable assets:	
Accounts receivable	(80,543)
Property and equipment, net	(739,044)
Other assets	(569,243)
Debt securities	(790,030)
Total deductions and/or charges	<u>(2,178,860)</u>
Net capital before haircuts on securities positions	<u>9,813,051</u>
Haircuts on debt securities	3,036,308
Net Capital	<u><u>\$ 6,776,743</u></u>

Aggregate Indebtedness

Accounts payable and accrued expenses	\$ 109,736
Accrued compensation payable	884,761
Deferred liability soft dollar clients	1,770,210
Total aggregate indebtedness	<u><u>\$ 2,764,707</u></u>

Computation of basic Net Capital Requirement

Minimum net capital required (greater of \$250,000 or 6 2/3% of aggregate indebtedness)	<u><u>\$ 250,000</u></u>
Net capital in excess of minimum requirement	<u><u>\$ 6,526,743</u></u>
Ratio of aggregate indebtedness to net capital	<u><u>.4080 to 1</u></u>

See notes to financial statements and report of independent registered public accounting firm.

Reconciliation to net capital file on Focus Report

Amount of net capital filed on form X-17A-5 on January 26, 2022	6,364,622
Operating lease right of use asset	647,800
Lease liability	(664,256)
Write off of accounts receivable	(180,741)
Other adjustments	359,318
	<u><u>6,526,743</u></u>

NatAlliance Securities, LLC
Notes to Financial Statements
December 31, 2021

National Alliance Securities, LLC (the “Company”) is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commissions (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 followings:

- 1) The Company may file an Exemption Report because the Company had no obligations under 17 C.F.R. §240.15c3-3.
- 2) The Company met the identified exemption provisions in 17 C.F.R. §240.15c3-3(k)(2)(ii) throughout the most recent fiscal year without exception.

I, Fred Bush, affirm that, to my best knowledge and belief, this Exemption Report is true and correct.

Signed: _____
FINOP

NatAlliance Securities, LLC
Notes to Financial Statements
December 31, 2021



Report of Independent Registered Public Accounting Firm

To the Members
NatAlliance Securities, LLC
Austin, Texas

We have reviewed management's statements, included in the accompanying Exemption Report, in which NatAlliance Securities, LLC (the "Company") identified the following provisions of 17 C.F.R. Section 15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. Section 240.15c3-3: (k)(2)(ii) (the "exemption provisions") and (2) the Company stated that they met the identified exemption provisions throughout the most recent fiscal year without exception. The Company's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about 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 the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

Cherry Bekaert LLP

Austin, Texas
February 28, 2022