



**Statement of Financial Condition
December 31, 2022**

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

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

FILING FOR THE PERIOD BEGINNING 01/01/22 AND ENDING 12/31/22
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: MCAP 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.)

1633 Broadway, 28th Floor

(No. and Street)

New York

NY

10019

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Gregory V. Mullen

(212) 607-8183

gmullen@mcapmarkets.com

(Name)

(Area Code – Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

Assurance Dimensions, Inc.

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

2000 Banks Road, Suite 218 Margate

FL

33063

(Address)

(City)

(State)

(Zip Code)

04/13/10

5036

(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.

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Gregory V. Mullen, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of MCAP LLC, as of 12/31, 2022, 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.

CLAIRE E SIGAFOOS
Notary Public
State of New Jersey
My Commission Expires Aug. 05, 2024
I.D.# 2448661

Signature:

Gregory V. Mullen

Title:

Chief Financial Officer

CE
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.

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ASSURANCE DIMENSIONS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Member of **MCAP LLC**:

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of **MCAP LLC** as of December 31, 2022 and the related notes and schedules (collectively referred to as the “financial statement”). In our opinion, the statement of financial condition presents fairly, in all material respects, the financial position of **MCAP LLC** as of December 31, 2022 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This financial statement is the responsibility of **MCAP LLC's** management. Our responsibility is to express an opinion on **MCAP LLC's** financial statement 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 **MCAP LLC**, in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is 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 statement, 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.

Assurance Dimensions

We have served as **MCAP, LLC's** auditor since 2022.

Margate, Florida

March 30, 2022

ASSURANCE DIMENSIONS **CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES**

also d/b/a McNAMARA and ASSOCIATES, PLLC

TAMPA BAY: 4920 W Cypress Street, Suite 102 | Tampa, FL 33607 | Office: 813.443.5048 | Fax: 813.443.5053

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SOUTH FLORIDA: 2000 Banks Road, Suite 218 | Margate, FL 33063 | Office: 754.800.3400 | Fax: 813.443.5053

www.assurancedimensions.com

MCAP LLC
Statement of Financial Condition
December 31, 2022

Assets

Cash and Equivalents (including \$1,750,000 restricted Security Deposits)	\$ 18,137,402
Due from Clearing Organization	65,256
Securities Sold Not Yet Settled	184,701,004
Securities Owned and Other Marketable Instruments	1,216,684,326
Right of Use Asset	4,070,208
Prepaid Expenses and Other Current Assets	425,800
Fixed Assets, at cost (net of Accumulated Depreciation of \$1,103,817)	<u>411,478</u>
Total Assets	<u>\$ 1,424,495,474</u>

Liabilities and Member's Equity

Liabilities:

Securities Sold Short	\$ 1,376,310,880
Securities Purchased Not Yet Settled	11,825,557
Accounts Payable, Accrued Liabilities and Other Liabilities	8,442,341
Accounts Payable – Related Party	864,220
Right to Use Lease Liability	<u>4,197,297</u>
Total Liabilities	<u>1,401,640,295</u>

Member's Equity	<u>22,855,179</u>
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Total Liabilities and Member's Equity	<u>\$ 1,424,495,474</u>
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See accompanying notes to this financial statement

MCAP LLC
Notes to the Statement of Financial Condition
December 31, 2022

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

MCAP LLC, (the “Company”) is a broker-dealer registered with the SEC and is a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). The Company is a Delaware Limited Liability Company and is a wholly-owned subsidiary of MCAP Technologies LLC (“MTEC”). The Company specializes in electronic securities market making and the development of financial technology software utilized for electronic market making, securities execution platforms and customer trading activities.

On November 10, 2021, MTEC was acquired by MetaCap Inc. (OTC Markets – “MCAP”) in an all-stock transaction. MetaCap Inc. name was subsequently changed to MCAP Inc. in February 2022.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents:

The Company considers all money market accounts, time deposits and certificate of deposits purchased with original maturities of three months or less to be cash equivalents. Included in Cash and Cash Equivalents are required minimum security deposits held at Clearing Firms. Such restricted deposit balances are \$1,750,000.

Property and Equipment:

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the shorter of the estimated useful lives of the assets or the life of the lease. The Company recorded depreciation and amortization expense of \$75,160 in 2022. Property and Equipment at December 31, 2022 consist of the following:

Intellectual Property – Software	\$ 779,299
Machinery and Equipment	384,819
Furniture and Fixtures	265,144
Leasehold Improvements	<u>86,033</u>
Total Cost	1,515,295
Less: accumulated depreciation and amortization	<u>(1,103,817)</u>
Net Fixed Assets	<u>\$ 411,478</u>

Revenue Recognition:

The Company accounts for Revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. Revenues from Proprietary Trading are outside of the scope of this pronouncement, therefore the adoption of this Standard did not have a material impact of the Firm’s Statement of Operations, as it was limited to Advisory, and Other Income. See *Fee Income and Other* note below.

MCAP LLC
Notes to the Statement of Financial Condition
December 31, 2022

Principal Transactions on Securities Owned

Proprietary trading securities transactions entered into on behalf of the Company are recorded on the trade date, as if they had settled.

Interest and Dividend Income

Interest income is comprised of fixed income coupon interest associated with long security positions, and interest income associated with Reverse Repos. Dividend income is associated with long equity positions. All Interest and Dividend Income are recorded on a Settlement Date basis.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net, respective of each clearing firm, on the statement of financial condition. Securities are recorded at fair value in accordance with FASB ASC 820, Fair Value Measurement.

Fee Income and Other

Fee income includes fees earned from providing commercial customers with corporate finance advisory services. Fees are recognized when the services have been performed. The Company recorded \$575,000 of such revenue in 2022. Other income is related to Rebates from Alternative Trading Systems (“ATS”) associated with Quote Access Payments (“QAP”). The Company receives these rebates in those months in which it was a net *Provider* of liquidity to the system. These fees are recorded on a trade date basis. The Company recorded \$94,082 of such revenue in 2022.

Lease Accounting:

The Company accounts for Operating Leases in accordance with ASC Topic 842. The standard requires Balance Sheet disclosure of certain Operating and Capitalized leases with terms of greater than one year. Under the standard, lessees are required to recognize a Right-of-Use asset, and an Operating Lease Liability on the Statement of Financial Condition (See Note 6).

Income Taxes:

During the fourth quarter of 2021, the Company was acquired by a corporation (see Note 1). The Company is a single-member LLC, and thus, is treated as a disregarded entity for tax purposes. Its operations are taxed at the Parent Company level.

Estimates:

The preparation of financial statements in conformity with United States of America generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. There were no estimates used in the preparation of this financial statement.

MCAP LLC
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Fair Value Measurement:

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.

Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.

The following table sets forth by level, within the fair value hierarchy, the Company's securities owned, and securities sold short, as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Securities owned, at Fair Value				
Equity	\$ 34,474,010	\$ -	\$ -	\$ 34,474,010
Government and Agency	1,120,605,994	-	-	1,120,605,994
Mortgage-backed	-	47,727,236	-	47,727,236
Corporate	-	-	1,694	1,694
Certificates of Deposit	-	13,872,223	-	13,872,223
Foreign Sovereign Debt	3,169	-	-	3,169
Total	<u>\$1,155,083,173</u>	<u>\$ 61,599,459</u>	<u>\$ 1,694</u>	<u>\$ 1,216,684,326</u>
Securities sold short at Fair Value				
Equity	\$ 29,016,577	\$ -	\$ -	\$ 29,016,577
Government and Agency	1,304,324,560	-	-	1,304,324,560
Mortgage-backed	-	42,965,741	-	42,965,741
Certificates of Deposit	-	4,002	-	4,002
Total	<u>\$ 1,333,341,137</u>	<u>\$42,969,743</u>	<u>\$ -</u>	<u>\$ 1,376,310,880</u>

MCAP LLC
Notes to the Statement of Financial Condition
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Fair Value of Financial Instruments:

The financial instruments of the Company are reported in the statement of financial condition at fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments, except long-term notes payable, and subordinated borrowings, if any.

NOTE 3 – RECEIVABLE FROM CLEARING ORGANIZATION

The clearing and depository operations for counterparties' securities transactions are provided by three clearing firms pursuant to fully disclosed clearing agreements with BofA Securities Inc. ("BofA", formerly Merrill Lynch Broadcort), Industrial and Commercial Bank of China Financial Services LLC ("ICBC"), and Mirae Asset Securities (USA), Inc. ("Mirae"). In 2021 the Company entered into an Institutional Customer agreement with Interactive Brokers LLC, and in February 2022 the Company opened a customer account with ED&F Man. In November 2022 ED&F Man was acquired by Marex Group plc. with the name of new entity now called Marex Capital Markets, Inc.

The Company has agreed to indemnify its clearing firms for losses that the clearing firms may sustain from counterparty accounts introduced by the Company. At December 31, 2022, there were no losses sustained in these counterparty accounts. All activity is conducted on a DVP (Delivery vs. Payment) basis and, as such, no securities were owned by such counterparties at the Company's clearing firms.

At December 31, 2022, the receivable from the clearing organization consists of the following:

Deposits at clearing organizations (included in Cash)	\$ 1,282,141
Due from Clearing Organization	65,256
Securities Sold Not Yet Settled	<u>184,701,004</u>
	<u>\$ 186,048,401</u>

NOTE 4 – NET CAPITAL REQUIREMENT

The Company is a registered broker-dealer and a market maker, and accordingly, is subject to the Securities and Exchange Commission Uniform Net Capital Rule (15c3-1), which requires the maintenance of a minimum net capital of 6-2/3% of aggregate indebtedness, as defined, or the minimum dollar amount of net capital required as a market maker, as defined, whichever is greater. At December 31, 2022, the Company had net capital of \$15,805,305 which was \$14,805,305 in excess of its required net capital of \$1,000,000 and an Aggregate Indebtedness to Net Capital ratio of 0.60 to 1.0.

NOTE 5 – FINANCIAL INSTRUMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, proprietary and market making positions and due from clearing organization. The Company maintains its cash at Clearing Firms and in bank accounts, the balances of which, at times, may exceed the Federally insured limit of \$250,000. At December 31, 2022, the Company had cash balances totaling \$802,541 at JP Morgan Chase Bank, which is \$552,541 in excess of the Federally insured limit. Exposure to credit risk is reduced by placing such deposits in high quality financial institutions. Concentration of

MCAP LLC
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credit risk with respect to due from clearing organizations is limited due to the quality of the clearing organizations.

In the normal course of business, the Company enters into various securities trading transactions. The execution, settlement, and financing of those transactions can result in off-balance sheet risk of loss not reflected on the accompanying balance sheet.

The Company is exposed to off-balance sheet risk of loss on unsettled transactions between the trade date and the settlement date in the event counterparties are unable to fulfill contractual obligations.

The Company's policy is to continuously monitor its exposure to market and counterparty risk through the use of a variety of financial, position, and credit exposure reporting and control procedures. In addition, the Company has a policy of reviewing the credit standing of each broker/dealer, clearing organization, client and/or other counter parties with which it conducts business. The Company monitors the market value of collateral and requests and receives additional collateral when required.

NOTE 6 – COMMITMENTS

The Company maintains offices located in New York, NY, Pleasantville, NY, and Orlando, FL. The New York lease terminates in January 2024 with two, one-year rights of extension out to January 2025, and January 2026. The Pleasantville lease terminates in December 2023. In accordance with ASC Topic 842, the Company has elected to use a discount rate representing the average rate of its margin loan rates among its clearing firms, in the calculation of the present value of the remaining operating lease payments. The Company contracted for additional space in April 2021 for its Orlando office, which will be effective January 1, 2022. The final maturity of the combined space will be July 31, 2032.

Lease Liability	\$ 4,197,297
Accrued Rent	<u>(127,089)</u>
Right-of-Use Asset	<u>4,070,208</u>

The future minimum rental payments on the contracted leases is as follows:

Year Ending December 31,	
2023	\$ 618,623
2024	401,590
2025	396,309
2026	408,229
2027	420,502
Thereafter	<u>2,176,887</u>
Total Undiscounted Lease payments	4,422,140
Less: Present Value discount	<u>(224,843)</u>
Total	\$ <u>4,197,297</u>

Rent expense for year ending December 31, 2022, was \$580,622.

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NOTE 7 – OPERATING REVENUE

Based on management's assessment of its business, a large and diverse group of counterparties account for the majority of the Company's revenues in multiple product lines. These product lines include securities trading, execution services, market making, and advisory services. The loss of, or a significant reduction in demand for, the Company's services from any one of these counterparties would not have a material adverse effect on the Company.

NOTE 8 – EXEMPTION OF SEC RULE 15C3-3 RESERVE REQUIREMENT

The Company is exempt from the provisions of SEC Rule 15c3-3 under Section (k)(2)(ii), because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities. In addition, the Company is claiming exemption pursuant to SEC Footnote 74 regarding its Proprietary Trading, as well as referral of securities transactions to other broker dealers.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Company from time to time grants forgivable loans to certain key employees. These loans have maturities of up to 5 years and are amortized monthly. At December 31, 2022, the remaining balance of these loans was \$20,000.

In January 2021, the Company entered into a Master Services Agreement with affiliated company MCAP Technologies LLC (“MTEC”). MTEC became a subsidiary of MCAP Inc. on November 10, 2021 and provides essential technology services, IT support and application software services. Fees include platform access charges, application software services and transaction fees. The agreement has no fixed maturity, and can be terminated by either party, with notice. The Company recorded an expense of \$8,574,237 in 2022 regarding such services, and on December 31, 2022, has a payable balance of \$864,220.

NOTE 10 – SUBSEQUENT EVENTS

The Company has evaluated the need for disclosures and/or adjustments resulting from subsequent events through March 30, 2023, the date the financial statements were issued, and has determined that there have been no material subsequent events that occurred during such period that would require disclosure in these financial statements or would be required to be recognized in the financial statements as of December 31, 2022.