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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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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 01/01/2023 AND ENDING 12/31/2023
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: Commerce Street Capital, 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.)

1445 Ross Ave., Ste. 2700

(No. and Street)

Dallas

Texas

75202

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Bobby Hashaway

214-545-6813

bmaimo@cstreetholdings.com

(Name)

(Area Code – Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

EisnerAmper LLP

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

733 Third Avenue

New York

NY

10017

(Address)

(City)

(State)

(Zip Code)

9/29/2003

274

(Date of Registration with PCAOB)(if applicable)

(PCAOB Registration Number, if applicable)

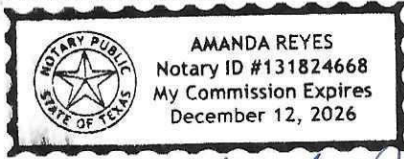
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* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), 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, Bobby Hashaway, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Commerce Street Capital, LLC, as of 12/31, 2023, 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: Bobby Hashaway

Title: Executive Vice President

Notary Public Amanda Reyes

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.

COMMERCE STREET CAPITAL, LLC

STATEMENT OF FINANCIAL CONDITION
AND
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
DECEMBER 31, 2023

COMMERCE STREET CAPITAL, LLC

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DECEMBER 31, 2023

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Member of
Commerce Street Capital, LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Commerce Street Capital, LLC (the "Company") as of December 31, 2023 and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statement has been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statement, the Company generated a net loss of \$2.9 million and net cash outflows from operations of \$0.25 million for the year ended December 31, 2023, that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statement does not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company'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 the Company 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 statement. 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 statement. We believe that our audit provides a reasonable basis for our opinion.



We have served as the Company's auditor since 2015.

EISNERAMPER LLP
New York, New York
March 28, 2024

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COMMERCE STREET CAPITAL, LLC

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2023

ASSETS

Cash	\$ 1,352,531
Accounts receivable, net	550,367
Furniture and equipment, net of accumulated depreciation of \$471,128	54,197
Lease right-of-use assets	2,173,309
Prepaid expenses	<u>72,493</u>
	<u>\$ 4,202,897</u>

LIABILITIES AND MEMBER'S CAPITAL

Liabilities

Lease liabilities	\$ 2,980,070
Other liabilities	<u>276,840</u>
Total liabilities	<u>3,256,910</u>

Member's Capital

<u>945,987</u>
<u>\$ 4,202,897</u>

See accompanying notes to statement of financial condition

COMMERCE STREET CAPITAL, LLC

NOTES TO STATEMENT OF FINANCIAL CONDITION

December 31, 2023

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Commerce Street Capital, LLC (the "Company") is a limited liability company organized under the laws of the state of Texas on January 18, 2007. The Company is a wholly owned subsidiary of Commerce Street Holdings, LLC ("CSH" or the "Parent"). CSH is a multi-member LLC.

The Company is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company's primary business is investment banking services including private placement transactions and other financial advisory services.

Basis of Presentation

Going Concern

The accompanying statement of financial condition is prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") assuming the Company will continue as a going concern. The going concern assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. However, substantial doubt about the Company's ability to continue as a going concern exists.

Primarily due to a decline in revenue, the Company generated a net loss of \$2.9 million and net cash outflows from operations of \$0.25 million for the year ended December 31, 2023. The Company will require additional liquidity from other sources to continue its operations over the next 12 months.

The Company's liquidity needs will be largely determined by the success of its existing pipeline of customer contracts and its ability to decrease expenses. The Company is evaluating additional strategies to obtain the required additional funding for its operations. These strategies may include, but are not limited to, obtaining equity financing through additional capital contributions by its member, issuing debt or entering into other financing arrangements. However, the Company may be unable to access such additional capital or debt financing when needed. Accordingly, there can be no assurance that the Company will be able to obtain additional liquidity when needed or under acceptable terms, if at all.

The statement of financial condition does not include any adjustments to the carrying amounts and classification of assets, liabilities, and reported expenses that may be necessary if the Company were unable to continue as a going concern.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when, or as, the Company satisfies its performance obligations by transferring the promised services to customers. A service is transferred to a customer when, or as, the customer obtains control of that service. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognized by measuring the Company's progress in satisfying the performance obligation in a manner that depicts the transfer of the services to the customer. 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 service.

COMMERCE STREET CAPITAL, LLC

NOTES TO STATEMENT OF FINANCIAL CONDITION

December 31, 2023

1. Nature of Business and Summary of Significant Accounting Policies

Revenue from Contracts with Customers (continued)

The amount of revenue recognized reflects the consideration to which the Company expects to be entitled in exchange for those promised services (i.e., the "transaction price"). In determining the transaction price, the Company considers multiple factors, including the effects of variable consideration. Variable consideration is included in the transaction price only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainties with respect to the amount are resolved. In determining when to include variable consideration in the transaction price, the Company considers the range of possible outcomes, the predictive value of our past experiences, the time period of when uncertainties expect to be resolved and the amount of consideration that is susceptible to factors outside of the Company's influence, such as market volatility or the judgment and actions of third parties. The Company earns revenue from contracts with customers and other sources.

Investment Banking Revenues

Investment banking revenues include fees earned from providing advisory services for merger-and-acquisition transactions, private placement, and related financial advisory work. Revenue is recorded when services are provided and/or when transactions close, or the contract is cancelled as specified by the terms of the contract. However, for certain contracts, revenue is recognized over time for advisory arrangements in which the performance obligations are provided by the Company and consumed by the customer. In some circumstances, significant judgement 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 revenues are reflected as contract liabilities. At December 31, 2022 and 2023, the contract liabilities amounted to approximately \$285,000 and \$185,000 respectively, which was included in other liabilities on the statement of financial condition.

Furniture and Equipment

Furniture and equipment are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally three to seven years.

Income Taxes

The Company is a single member limited liability company and thus is treated as a disregarded entity for income tax reporting purposes. All the tax on income or loss of the Company is borne by its member. Accordingly, the Company has not provided for income taxes.

At December 31, 2023, management has determined that the Company had no uncertain tax positions that would require financial statement recognition. This determination will always be subject to ongoing reevaluation as facts and circumstances may require.

Use of Estimates

The preparation of statement of financial condition in conformity with U.S. GAAP requires the Company's management to make estimates and assumptions that affect the amounts disclosed in the statement of financial condition. Actual results could differ from those estimates.

COMMERCE STREET CAPITAL, LLC

NOTES TO STATEMENT OF FINANCIAL CONDITION

December 31, 2023

1. Nature of Business and Summary of Significant Accounting Policies (continued)

Leases

Operating leases with terms longer than 12 months are recognized as lease assets and lease liabilities in the statement of financial condition. The Company does not have any finance leases. The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Company recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. As the rates implicit in the Company's leases are not readily determinable, the Company uses its derived incremental borrowing rate based on information available at the lease commencement date in determining the present value of lease payments. The determination of an appropriate incremental borrowing rate requires judgment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability, less the unamortized balance of lease incentives received. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Credit Losses

The Company measures the credit loss on financial instruments in accordance with Accounting Standards Update ("ASU") No 2016-13 that requires management's measurement of current expected credit loss ("CECL") to be based on past events, current conditions, and a broad spectrum of future considerations. Refer to Note 2 for CECL estimated for the year 2023.

Financial instruments

The following table presents the carrying values and estimated fair values at December 31, 2023 of financial assets and liabilities, and information is provided on their classification within the fair value hierarchy. At December 31, 2023, the carrying values of the Company's financial instruments approximate their fair value.

Asset	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
Cash	1,352,531	1,352,531		-	1,352,531
Accounts receivable, net	550,367	-	550,367	-	550,367
Other liabilities	276,840	-	276,840	-	276,840

COMMERCE STREET CAPITAL, LLC

NOTES TO STATEMENT OF FINANCIAL CONDITION

December 31, 2023

2. Accounts Receivable

The Company's accounts receivable, which primarily consist of balances due from customers for investment banking services, are carried at amortized cost less the allowance for credit losses. Accounts receivable are generally due upon receipt. Account balances outstanding longer than the contractual payment terms are considered past due. The credit risk associated with receivables is that any customers with which it conducts business is unable to fulfill contractual obligations. The allowance for credit losses is based on the Company's expectation of the collectability of such receivables utilizing the CECL framework. The Company considers factors such as historical experience, credit quality, age of balances and current and future economic conditions that may affect the Company's expectation of the collectability in determining the allowance for credit losses. The Company's expectation is that the credit risk associated with receivables is not significant until it is past due based on the contractual arrangement and expectation of collection in accordance with industry standards. The Company records an estimated allowance for credit loss for any balances that are deemed to be uncollectible. Management monitors the credit risk of customers, including historical experience, current conditions, reasonable assurance and supportable forecasts to determine expected credit loss. The Company had net accounts receivable of \$1,971,551 and \$550,367 outstanding, net of allowance for credit losses of \$54,000 and \$0 as of December 31, 2022, and December 31, 2023, respectively.

3. Related Party

The Company has an expense sharing agreement with CSH. Pursuant to this agreement 1) CSH will pay on behalf of the Company primarily all its direct expenses and the Company will reimburse CSH 100% of such expenses; 2) the Company will share certain personnel, personal property and general and administrative expenses with CSH and will be allocated its proportional share of such expenses. At December 31, 2023, there was no balance due from or due to Parent.

During the year ended December 31, 2023, certain employees of CSH, as well as members of CSH, were independent passive investors in investment banking customers.

4. Furniture and Equipment

Furniture and equipment as of December 31, 2023, is as follows:

	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Computers and related equipment	\$ 395,237	\$ (341,038)	\$ 54,197
Furniture and fixtures	130,088	(130,088)	-
	<u>\$ 525,325</u>	<u>\$ (471,128)</u>	<u>\$ 54,197</u>

COMMERCE STREET CAPITAL, LLC

NOTES TO STATEMENT OF FINANCIAL CONDITION

December 31, 2023

4. Furniture and Equipment (continued)

An analysis of the accumulated depreciation for the year ended December 31, 2023, is as follows:

Beginning of year	\$ 449,970
Depreciation expense	<u>21,158</u>
End of year	\$ 471,128

5. Net Capital Requirement

The Company, as a member of FINRA, is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1. This Rule requires the maintenance of minimum net capital and that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 and that equity capital may not be withdrawn, or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2023, the Company's net capital was \$268,930 which was \$168,930 in excess of its minimum requirement of \$100,000. The Company's ratio of aggregate indebtedness to net capital was 4.03 to 1.

6. Concentrations of Credit Risk

The Company maintains its cash balances in one financial institution. These balances are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per institution. As of December 31, 2023, approximately \$1,102,000 of the Company's cash was in excess of the FDIC insurance limits.

7. Leases

The Company and Commerce Street Investment Advisor, LLC (dba Commerce Street Investment Management) ("CSIA") have jointly entered into an operating lease for office space which expires November 30, 2029. The Company also has operating leases for certain office equipment which ended in 2023. Under the terms of the office lease, payments escalate annually based on a predetermined payment schedule. The effects of the escalated rent payments and all other terms of the lease are being captured to report rent on a straight-line basis over the life of the lease. The Company bears approximately 70% of the lease commitments. Per the lease agreement, the Company can utilize credit of approximately \$830,000 for improvements, construction, paying rent and other uses. The Company utilized the remaining available credit of approximately \$100,000 in the current year. As such, as of December 31, 2023, the Company has utilized all of the available credit.

COMMERCE STREET CAPITAL, LLC

NOTES TO STATEMENT OF FINANCIAL CONDITION

December 31, 2023

7. Leases (continued)

The following is a schedule of the Company's portion of approximate future minimum lease commitments, required under the lease on an undiscounted basis, reconciled to the respective lease liabilities at December 31, 2023:

2024	\$	558,969
2025		569,203
2026		579,643
2027		590,292
2028		601,153
Thereafter		560,351
Total		3,459,611
Less: imputed interest		(479,541)
Lease liabilities as of December 31, 2023	\$	2,980,070

Supplemental information related to leases is as follows:

Remaining lease term (in years)	5.92
Discount rate	5.17%

8. Sublease

The Company and CSIA have entered into a sub-lease agreement with a sub-tenant commencing on December 1, 2015. Under this sub-lease, payment escalates annually based on a predetermined payment schedule. This sub-lease expired on July 13, 2023 and was renewed for one year through July 13, 2024. The effects of the escalated rent payments and all other terms of the lease are being captured to report rental income on a straight-line basis over the life of the lease. Approximately 70% of the total sublease income is allocated to the Company.

The following is a schedule of the Company's portion of the approximate future minimum sublease income required under the sub-lease:

2024 (July)	\$	13,500
	\$	13,500

COMMERCE STREET CAPITAL, LLC

NOTES TO STATEMENT OF FINANCIAL CONDITION

December 31, 2023

9. Employee Benefit Plan

CSH maintains a 401(k) plan (the "Plan") covering all eligible employees as defined. Voluntary contributions by the participants are allowed under the Plan up to the federal statutory limits. Contributions on behalf of the employees are discretionary and are determined annually by CSH. The Company shares the employer contribution to the Plan.

10. Subsequent Events

The Company has evaluated events through March 28, 2024, the date the statement of financial condition is available to be issued and determined that no other subsequent events or transactions were required to be recognized or disclosed.