

Stratos Wealth Securities, LLC

**Financial Statements and Supplementary Information
For the Year Ended December 31, 2021
(Confidential Pursuant to Rule 17a-5(e)(3))**

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

ANNUAL REPORTS
FORM X-17A-5
PART III

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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 01/01/21 AND ENDING 12/31/21
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: STRATOS WEALTH 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.)

3750 Park East Drive, Suite 200

(No. and Street)

Beachwood

OH

44122

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Mark T Manzo

(201) 519-1905

mmanzo@moppartners.com

(Name)

(Area Code - Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

Sanville & Company

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

1514 Old York Road

Abington

PA

19001

(Address)

(City)

(State)

(Zip Code)

9/18/2003

169

(Date of Registration with PCAOB)(if applicable)

(PCAOB Registration Number, if applicable)

FOR OFFICIAL USE ONLY

* 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, Barbara J.D. Simons, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of STRATOS WEALTH 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.



RICHARD JUARBE
Notary Public
State of Ohio
My Comm. Expires
March 25, 2025

Signature: Barbara J.D. Simons

Title:
CCO

Notary Public Richard Juarbe

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.

Sanville & Company

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT F. SANVILLE, CPA
MICHAEL T. BARANOWSKY, CPA
JOHN P. TOWNSEND, CPA
NATHANIEL S. HARTGRAVES, CPA

1514 OLD YORK ROAD ABINGTON, PA 19001
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GOVERNANCE OF
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(212) 709-9512

Report of Independent Registered Public Accounting Firm

To the Member of
Stratos Wealth Securities, LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Stratos Wealth Securities, LLC (the Company) as of December 31, 2021, and the related statements of income, changes in member's equity and cash flows for the year then ended, and the related notes to the financial statements (collectively, the financial statements). In our opinion, the financial statements presents 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 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 statements are free from material misstatement, whether due to error or fraud. 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 audit 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.

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.

Supplemental Information

The supplementary information contained in Schedule I, Computation of Net Capital Under Rule 15c3-1, Schedule II, Computation of Requirements Under Rule 15c3-3 (exemption) and Schedule III Information Relating to the Possession or Control Requirements Under Rule 15c3-3, all under the Rules of the Securities and Exchange Commission have 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. § 240.17a-5. In our opinion, the supplementary information contained in Schedule I, Computation of Net Capital Under Rule 15c3-1, Schedule II, Computation of Requirements Under Rule 15c3-3 (exemption) and Schedule III Information Relating to the Possession or Control Requirements Under Rule 15c3-3, all under the Rules of the Securities and Exchange Commission are fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Samville & Company".

We have served as the Company's auditor since 2019.

Dallas, Texas
February 23, 2022

STRATOS WEALTH SECURITIES LLC
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2021

ASSETS

Cash and cash equivalents	\$ 68,212
Commissions receivable	125,579
Bonus receivable	1,470,487
Prepaid expenses	<u>12,488</u>
 TOTAL ASSETS	 <u><u>\$ 1,676,766</u></u>

LIABILITY AND MEMBER'S EQUITY

LIABILITIES

Accounts payable and accrued expenses	<u>\$ 18,617</u>
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MEMBER'S EQUITY	<u>\$ 1,658,149</u>
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TOTAL LIABILITIES AND MEMBER'S EQUITY	<u><u>\$ 1,676,766</u></u>
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The accompanying notes are an integral part of these financial statements.

STRATOS WEALTH SECURITIES LLC
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

REVENUE

Commission Income	\$ 3,802,876
Bonus Income	1,946,156
Interest Income	<u>168</u>
TOTAL REVENUES	\$ 5,749,200

EXPENSES

Bank Fees	262
Regulatory and Membership Expense	33,904
Shared Services Expense	<u>60,000</u>
TOTAL EXPENSES	\$ 94,166
 NET INCOME	 <u><u>\$ 5,655,034</u></u>

The accompanying notes are an integral part of these financial statements.

STRATOS WEALTH SECURITIES LLC
STATEMENT OF CHANGE IN MEMBER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

BALANCE - JANUARY 1, 2020	\$ 1,754,285
NET INCOME	\$ 5,655,034
MEMBER DISTRIBUTIONS	<u>\$ (5,751,170)</u>
BALANCE - DECEMBER 31, 2021	<u><u>\$ 1,658,149</u></u>

The accompanying notes are an integral part of these financial statements.

STRATOS WEALTH SECURITIES LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash flows from operating activities	
Net Income	\$ 5,655,034
Adjustments to reconcile net income to net cash used in operating activities	
Decrease in commissions receivable	6,827
Increase in bonus receivable	(196,877)
Decrease in prepaid expenses	698
Increase in accounts payable and accrued expenses	<u>2,530</u>
NET CASH PROVIDED BY OPERATIONS	5,468,212
Cash flows from investing activities	<u>-</u>
Cash flows from Financing activities	
Member distributions	<u>(5,751,170)</u>
Net Increase in Cash and cash equivalents	<u>(282,958)</u>
Cash and cash equivalents, beginning of the year	351,170
Cash and cash equivalents, end of the year	<u><u>\$ 68,212</u></u>

The accompanying notes are an integral part of these financial statements.

STRATOS WEALTH SECURITIES LLC
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

1 – Summary of Significant Accounting Policies

Organization – Stratos Wealth Securities, LLC (the Company) was formed for the purpose of doing business as a broker-dealer. The Company was granted membership to FINRA on April 04, 2018. It is a registered broker-dealer with the Securities and Exchange Commission (“SEC”), and is a member of the Securities Investor Protection Corporation (“SIPC”).

Basis of Presentation – The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) and the rules and regulations of the United States Securities and Exchange Commission. It is management’s opinion, that all material adjustments have been made which are necessary for a fair financial statement presentation.

Revenue Recognition – Commission revenue consists of overrides earned on brokerage transactions. Commission revenue is recognized based on the posting date of the transactions. Bonus revenue is recognized when earned. As of December 31, 2021, \$1,470,487 was receivable based on 2021 earned bonus revenue.

Income Taxes - The Company is a single-member limited liability company, treated as a disregarded entity for federal and state income tax purposes. The Company’s results of operations are included in the consolidated federal and applicable state income tax returns filed by the parent; thus, no federal income tax expense has been recorded in the financial statements. Taxable income of the Company is passed through to the members and reported on their individual tax returns.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Receivables – The Company considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectable, they will be expensed when that determination is made.

Related Party Transactions – The Company has an Expense Sharing Agreement (the "Agreement") in place with the Parent whereby the Parent pays certain administrative expenses, such as salaries and rent, on behalf of the Company for which the Parent is reimbursed. For the period ended December 31, 2021 the parent charged the company \$60,000 in accordance with the Agreement.

2 – Net Capital Requirements

Net Capital – The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital of \$5,000, and requires that the ratio of aggregate

STRATOS WEALTH SECURITIES LLC
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

2 – Net Capital Requirements, continued

indebtedness to net capital, both as defined, not exceed 15 to 1. The rule also provides that equity capital may not be withdrawn, cash dividends paid or the Company's operations expanded, if the resulting net capital ratio would exceed 10 to 1. At December 31, 2021, the Company had net capital of \$49,595, which was \$44,595 in excess of the FINRA minimum net capital requirement of \$5,000.

STRATOS WEALTH SECURITIES LLC

Schedule I

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION

DECEMBER 31, 2021

Net Capital

Total ownership equity	\$ 1,658,149
Deduct ownership equity not allowable for net capital	-
Total ownership equity qualified for net capital	<u>\$ 1,658,149</u>
Deduction and/or charges:	
Prepaid expenses	12,488
Commissions receivable	125,579
Bonus receivable	<u>1,470,487</u>
 Total non-allowable assets from Statement of Financial Condition	 \$ 1,608,554
 Net Capital	 <u>\$ 49,595</u>
 Net Capital Requirement	 \$ 5,000
 Excess Net Capital	 <u>\$ 44,595</u>
 Total Aggregate Indebtedness	 \$ 18,617
 Ratio: Aggregate indebtedness to net capital	 <u>.3754 to 1</u>

There were no material differences in the computation of net capital under Rule 15c3-1 from the Company's computation in its unaudited Focus IIA Report.

STRATOS WEALTH SECURITIES LLC

Schedule II & III

Computation For Determination Of Reserve Requirements And

Information Relating To Possession Or Control Requirements

Under Rule 15c3-3 of the Securities and Exchange Commission

December 31, 2021

The Company is considered a “Non-Covered Firm” exempt from 15c3-3 by relying on footnote 74 to SEC Release 34-70073 and therefore, is not required to maintain a “Special reserve bank account for the Exclusive benefit of customers.”

Sanville & Company

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT F. SANVILLE, CPA
MICHAEL T. BARANOWSKY, CPA
JOHN P. TOWNSEND, CPA
NATHANIEL S. HARTGRAVES, CPA

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Report of Independent Registered Public Accounting Firm

To the Board of Directors
Stratos Wealth Securities, LLC

We have reviewed management's statements, included in the accompanying Exemption Report in which (1) Stratos Wealth Securities, LLC (the "Company") identified that it is considered a "Non-Covered Firm" exempt from provisions of 17 C.F.R. §15c3-3 and is filing its Exemption Report relying on footnote 74 to SEC Release 34-70073, and as discussed in Q&A 8 of the related FAQ issued by the SEC staff. The Company limits its business activities to the collection of commission overrides from member broker-dealer(s). The Company (1) did not directly or indirectly receive, hold, or otherwise owe funds or securities for or to customers, other than money or other consideration received and promptly transmitted in compliance with paragraph (a) or (b)(2) of Rule 15c2-4; (2) did not carry accounts of or for customers; and (3) did not carry PAB accounts (as defined in Rule 15c3-3), throughout the most recent fiscal year without exception.

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 Stratos Wealth Securities, LLC'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 Rule 15c3-3 under the Securities Exchange Act of 1934.



Dallas, Texas
February 23, 2022

STRATOS WEALTH SECURITIES, LLC

EXEMPTION REPORT

December 31, 2021

About Corporate Finance Corporation (the "Company") 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:

- The Company does not claim an exemption under paragraph (k) of 17 C.F.R. § 240.15c3-3.
- The Company is filing this Exemption Report relying on Footnote 74 of the SEC Release No. 34-70073 adopting amendments to 17 C.F.R. § 240.17a-5 because the Company's Other business activity is limited to collecting commission overrides from member broker-dealers.
- The Company did not directly or indirectly receive, hold, or otherwise owe funds or securities for or to customers.
- The Company did not carry accounts of or for customers throughout the most recent fiscal year without exception.
- The Company had no exceptions under SEC Rule 15c3-3 throughout the year ended December 31, 2021.

Stratos Wealth Securities, LLC

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

By: Barbara Simons

Title: Chief Compliance Officer

February 10, 2022