

## **World Equity Group, Inc.**

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### **Financial Statement and Report of Independent Registered Public Accounting Firm**

**December 31, 2021**

Filed as a public document pursuant to rule 17a-5(d)  
of the Securities and Exchange Act of 1934

**\*\*\*Public Document\*\*\***

**World Equity Group, Inc.**  
**December 31, 2021**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Management of  
World Equity Group, Inc.

### ***Opinion on the Financial Statement***

We have audited the accompanying statement of financial condition of World Equity Group, Inc. (the "Company") as of December 31, 2021, 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, 2021, in conformity with accounting principles generally accepted in the United States of America.

### ***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. 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.

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.

*FGMK, LLC*

We have served as the Company's auditor since 2021.

Chicago, Illinois  
February 28, 2022

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: World Equity Group, Inc.

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.)

1650 N Arlington Heights Road, Suite 100

	(No. and Street)		
<u>Arlington Heights</u>	<u>IL</u>	<u>60004</u>	
(City)	(State)	(Zip Code)	

PERSON TO CONTACT WITH REGARD TO THIS FILING

<u>Craig Gould</u>	<u>312-371-3740</u>	<u>cgould@weg1.com</u>
(Name)	(Area Code - Telephone Number)	(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing\*

FGMK, LLC

	(Name - If individual, state last, first, and middle name)		
<u>333 W Wacker Drive, FL 6</u>	<u>Chicago</u>	<u>IL</u>	<u>60606</u>
(Address)	(City)	(State)	(Zip Code)

<u>12/17/2009</u>	<u>3968</u>
(Date of Registration with PCAOB)(if applicable)	(PCAOB Registration Number, if applicable)

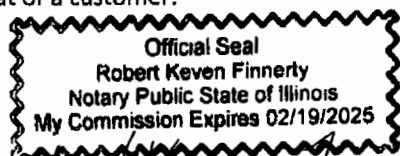
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\* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii),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

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## OATH OR AFFIRMATION

I, Craig Gould, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of World Equity Group, Inc., 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.



Robert Keven Finnerly  
Notary Public

Signature: [Signature]

Title: President

### 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.**

## **Financial Statement**

**World Equity Group, Inc.**  
**Statement of Financial Condition**  
**December 31, 2021**

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**ASSETS**

Cash and cash equivalents	\$ 560,098
Receivable from and deposits with clearing broker-dealers	200,020
Commissions receivable	21,793
Prepaid expenses	94,136
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$89,765	53,551
Right of use asset	90,454
Deferred tax assets	3,250
Other assets	<u>19,573</u>

**TOTAL ASSETS** **\$ 1,042,875**

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 154,433
Accrued commissions	116,105
Contract liabilities	153,668
Lease liabilities	91,136
Other liabilities	<u>33,661</u>

**TOTAL LIABILITIES** **549,003**

**STOCKHOLDERS' EQUITY**

Common stock	1,038
Additional paid-in capital	582,850
Accumulated deficit	<u>(90,016)</u>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<u><b>493,872</b></u>

**TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** **\$1,042,875**

The accompanying notes are an integral part of this financial statement

**World Equity Group, Inc.**  
**Notes to Financial Statement**  
**December 31, 2021**

**Note (1) Nature of Operations and Summary of Significant Accounting Policies**

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**A. Nature of Operations**

World Equity Group, Inc. (the "Company") is a registered securities broker-dealer and investment advisor. The Company provides brokerage, investment advisory and venture capital advisory services to retail customers and institutional clients primarily in the United States. Customer transactions are cleared through other clearing brokers on a fully disclosed basis.

The Company operates under the provisions of Paragraph (k)(2)(ii) of Rule 15c3-3 of the Securities Exchange Act of 1934 and, accordingly, is exempt from the remaining provisions of that rule. Essentially, the requirements of Paragraph (k)(2)(ii) provide that the Company clear all transactions on a fully disclosed basis with a clearing broker-dealer, and promptly transmit all customer funds and securities to the clearing broker-dealer. The clearing broker-dealer carries all the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker-dealer.

During April 2020 the stockholders of the company entered into an agreement to sell 100% of the outstanding shares of World Equity Group, Inc. The transaction received FINRA approval and was consummated on May 17, 2021. The new parent company, Wentworth Management Services, LLC ("Wentworth") did not elect to push down any of the acquisition costs or business combination accounting to the Company.

**B. Cash Equivalents**

The Company considers cash equivalents to be all highly liquid investments with a maturity of three months or less when purchased.

**C. Cash Balances in Excess of Insured Amounts**

The Company maintains its cash in accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses due to these limits.

**D. Revenue Recognition**

The Company recognizes revenue from contracts with customers 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. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled in exchange for those promised goods or services. (See Note (2)).

**E. Furniture, Equipment and Leasehold Improvements**

Furniture, equipment and leasehold improvements are carried at cost. Depreciation is provided using the straight-line method over their estimated useful lives. Leasehold Improvements are amortized over the lesser of their useful lives or the terms of the underlying lease. Furniture and Equipment are depreciated over periods of five to seven years.



**World Equity Group, Inc.**  
**Notes to Financial Statement**  
**December 31, 2021**

**Note (1) Nature of Operations and Summary of Significant Accounting Policies – Continued**

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**F. Income Taxes**

The Company accounts for income taxes under the liability method as prescribed by accounting principles generally accepted in the United States of America. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, including net operating losses. Future tax benefits are recognized only to the extent that realization of such benefits, in the opinion of management, is more likely than not.

The Company accounts for any potential interest or penalties related to the possible future liabilities for unrecognized income tax benefits as other expense. The Company is no longer subject to examination by tax authorities for federal, state or local income taxes for periods before 2018 unchanged from prior year.

**G. Use of Estimates and Assumptions**

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. While actual results may differ from those estimates, management does not expect the differences, if any, to have a material effect on the financial statements.

**H. Leases**

The Company is a lessee in several noncancellable operating leases for office space and office equipment. 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. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Company uses its incremental borrowing rate. The implicit rates of our leases are not readily determinable and accordingly, we use our incremental borrowing rate (5.0%) based on the information available at the commencement date for the lease. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

**World Equity Group, Inc.**  
**Notes to Financial Statement**  
**December 31, 2021**

**Note (1) Nature of Operations and Summary of Significant Accounting Policies – Continued**

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**H. Leases – Continued**

The Company has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. We recognize lease cost associated with our short-term leases on a straight-line basis over the lease term.

The Company made an accounting policy election by class of underlying asset, for computers and other office equipment, to account for each separate lease component of a contract and its associated non-lease components (lessor-provided maintenance) as a single lease component.

Disclosures related to the amount and timing of cash flows arising from this lease is included in Note (5).

**I. Commissions Receivable and Allowances for Uncollectable Accounts**

The Company extends unsecured credit in the normal course of business. The determination of the amount of uncollectable accounts is based on the amount of credit extended and the length of time each receivable has been outstanding. The allowance for uncollectable accounts reflects the amount of loss that can be reasonably estimated by management. As of December 31, 2021, management does not believe an allowance is necessary. At January 1, 2021, commissions receivable was \$72,905 and there was no allowance deemed necessary.

**Note (2) Revenue From Contracts with Customers**

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*Significant Judgments*

Revenue from contracts with customers includes commission income from variable annuity trail and 12b-1 fees and asset management services. The recognition and measurement of revenue is based on the assessment of individual contract terms. Significant judgment is required to determine whether performance obligations are satisfied at a point in time or over time; how to allocate transaction prices where multiple performance obligations are identified; when to recognize revenue based on the appropriate measure of the Company's progress under the contract; and whether constraints on variable consideration should be applied due to uncertain future events.

*Commission Income*

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

**World Equity Group, Inc.**  
**Notes to Financial Statement**  
**December 31, 2021**

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**Note (2)**      **Revenue From Contracts with Customers - Continued**

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*Variable Annuity Trail and 12b-1 Fee Income*

The Company earns variable annuity trails and 12b-1 fees in accordance with selling agreements. Fees are based on a percentage applied to the customer's assets under management. Fees are received monthly or quarterly and are recognized as revenue in the month or quarter that relates specifically to the services provided in that period, which are distinct from the services provided in other periods.

*Financial Advisory Services*

The Company provides financial advisory services on a daily basis. The Company believes the performance obligation for providing financial advisory services is satisfied over time because the customer is receiving the benefits as they are provided by the Company. Fee arrangements are based on a percentage applied to the customer's assets under management. Fees are received monthly or quarterly and are recognized as revenue in the month or quarter that relates specifically to the services provided in that period, which are distinct from the services provided in other periods.

*Investment Banking*

The Company provides advisory services on mergers and acquisitions ("M&A"). Revenue for advisory arrangements is generally recognized at the point in time that performance under the arrangement is completed (the closing date of the transaction) or the contract is cancelled. However, for certain contracts, revenue is recognized over time for advisory arrangements in which the performance obligations are simultaneously provided by the Company and benefits are received by the customer. In some circumstances, significant judgment is needed to determine the timing and measure of progress appropriate for revenue recognition under a specific contract.

*Contract Liabilities*

Retainers and other fees received from customers prior to recognizing revenue are reflected as contract liabilities. At December 31, 2021, contract liabilities were \$153,668. At January 1, 2021, there no contract liabilities.

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**Note (3)**      **Receivable From and Deposits with Clearing Broker-Dealers**

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The Company clears its proprietary and customer transactions through other broker-dealers on a fully disclosed basis. At December 31, 2021, the Company had amounts due from these broker-dealers and clearing organizations totaling \$14,238, and cash on deposit of \$185,782.

**World Equity Group, Inc.**  
**Notes to Financial Statement**  
**December 31, 2021**

**Note (4)      Net Capital Requirement**

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The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). The Company is subject to the net capital requirements equal to the greater of \$100,000 or 6 2/3% of the aggregate indebtedness. At December 31, 2021, the Company had net capital of \$320,610, which was \$220,610 in excess of its required net capital of \$100,000. The Company's aggregate indebtedness to net capital ratio was 1.43 to 1.

**Note (5)      Leases**

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The Company has obligations as a lessee for office space, including one from an affiliated entity related through common ownership, and office equipment with initial noncancelable terms in excess of one year. The Company classified these leases as operating leases. These leases do not contain renewal options. The Company's leases do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments plus, for many of the Company's leases, variable payments. The Company's office space leases require it to make variable payments for the Company's proportionate share of the building's property taxes, insurance, and common area maintenance. These variable lease payments are not included in lease payments used to determine lease liability and are recognized as variable costs when incurred.

Other information related to leases as of December 31, 2021 was as follows:

Weighted average remaining lease term:	
Operating leases	1.3 years

Weighted average discount rate:	
Operating leases	5%

Amounts disclosed for ROU assets obtained in exchange for lease obligations and reductions to ROU assets resulting from reductions to lease obligations include amounts added to or reduced from the carrying amount of ROU assets resulting from new leases, lease modifications or reassessments.

Maturities of lease liabilities under noncancellable operating leases as of December 31, 2021 are as follows:

2022	77,916
2023	15,421
Total undiscounted payments	93,337
Less: Imputed interest	2,201
Lease liability	91,136

**World Equity Group, Inc.**  
**Notes to Financial Statement**  
**December 31, 2021**

**Note (6) Employee Benefit Plan**

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The Company maintains a 401(k) plan for qualified employees. The Company matches 25 percent of participant contributions of up to 1 percent, and may make discretionary contributions to the plan, subject to certain limitations as set forth in the plan agreement. The Company accrued \$27,204 as of December 31, 2021 and is included in accounts payable and accrued expenses in the statement of financial condition.

The Company also has a separate profit sharing plan, making discretionary contributions as defined in the plan, subject to certain limitations set forth in the plan agreement.

**Note (7) Off Balance Sheet Risk and Concentrations of Credit Risk**

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The Company clears all of its trades through two clearing brokers on a fully disclosed basis. In the event these counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

Under the terms of its clearing agreements, the Company is required to guarantee the performance of its customers in meeting contracted obligations. In conjunction with the clearing brokers, the Company seeks to control the risks associated with its customer activities by requiring customers to maintain collateral in compliance with various regulatory and internal guidelines. Compliance with the various guidelines is monitored daily and, pursuant to such guidelines, customers may be required to deposit additional collateral, or reduce positions, where necessary.

**Note (8) Indemnifications**

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In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties that provide indemnifications under certain circumstances. The Company's maximum exposure under these arrangements is unknown and the risk of loss is remote, as it would require future claims that may be made against the Company that have not occurred.

**Note (9) Contingencies**

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From time to time, the Company is involved in litigation and arbitration arising out of the normal course of business. As of December 31, 2021, the Company has pending various claims, which the Company has denied and intends to vigorously defend itself. At this time, neither management nor legal counsel has been able to determine what, if any, potential exposure would result in the resolution of these cases.

In addition, in the normal course of business, the Company is subject to routine examinations by FINRA and the SEC. There are currently no examinations in process.

**World Equity Group, Inc.**  
**Notes to Financial Statement**  
**December 31, 2021**

**Note (9) Risks and Uncertainties**

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In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. The Company is monitoring COVID-19 and its impact on operations, financial position, cash flows, customer payments, and the industry in general, in addition to the impact on its employees. Due to the fluidity of this situation, the magnitude and duration of the pandemic and its impact on the Company's operations and liquidity is uncertain as of the date of this report. While there could ultimately be a material impact on operations and liquidity of the Company, at the time of issuance, the impact could not be determined.

**Note (10) Paycheck Protection Program**

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The Company has applied for and received forgiveness in 2021 on a loan received in 2020 from the Small Business Administration.

**Note (11) Management Fees/Related Party**

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The Company pays Wentworth fees to cover management and other support costs under an expense sharing agreement. Total shared expenses charged to the Company totaled approximately \$393,500 for the year ended December 31, 2021. There are no amounts outstanding as of December 31, 2021.

The Company has an expense sharing agreement with an affiliate, whereby certain operational costs are allocated to the company from the affiliate on a reasonable and consistent basis. Reimbursable amounts determined under this agreement are recorded as a payable to affiliate and a corresponding expense to the respective category. For the year ended December 31, 2021, the total fees charged to the Company were \$184,773. As of December 31, 2021 there were no amounts due to this affiliate.

**Note (12) Subsequent Events**

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Management has evaluated all subsequent events through the date the accompanying financial statement was issued.

Subsequent to year end, the Company settled a previously pending legal claim for \$50,000 net of insurance proceeds.