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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

MAR 01 2018

Washington DC  
408

SEC FILE NUMBER
8- 68115

**FACING PAGE**

**Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2017 AND ENDING 12/31/2017  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Northcoast Research Partners, LLC

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

1301 East Ninth Street Suite 1500

(No. and Street)

Cleveland

Ohio

44114

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Sal Raffa

216-468-6955

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

BDO USA LLP

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

32125 Solon Road

Cleveland

Ohio

44139

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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SEC 1410 (06-02)

DM

OATH OR AFFIRMATION

I, Sal Raffa, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Northcoast Research Partners, LLC, as of December 31, 2017, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_



ROSALYNN A. BELL  
Notary Public, State of Ohio  
My Comm. Expires 11/12/2022

*S. Raffa*  
Signature

Chief Financial Officer

Title

*Rosalynn A. Bell*  
Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**NORTHCOAST RESEARCH PARTNERS, LLC**

***STATEMENT OF FINANCIAL CONDITION***

***DECEMBER 31, 2017***

# **NORTHCOAST RESEARCH PARTNERS, LLC**

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32125 Solon Road  
Cleveland, OH 44139

## **Report of Independent Registered Public Accounting Firm**

Northcoast Research Holdings, LLC, the Sole Member of  
Northcoast Research Partners, LLC  
Cleveland, Ohio

### **Opinion on Statement of Financial Condition**

We have audited the accompanying statement of financial condition of Northcoast Research Partners, LLC as of December 31, 2017. In our opinion, the statement of financial condition presents fairly, in all material respects, the financial position of Northcoast Research Partners, LLC at December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

This financial statement is the responsibility of Northcoast Research Partners, LLC's management. Our responsibility is to express an opinion on Northcoast Research Partners, 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 Northcoast Research Partners, 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 statement of financial condition 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 statement of financial condition. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of financial condition. We believe that our audit provides a reasonable basis for our opinion.

**BDO USA, LLP**

We have served as Northcoast Research Partners, LLC's auditor since 2015.

BDO USA, LLP  
Cleveland, Ohio  
February 27, 2018

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BDO is the brand name for the BDO network and for each of the BDO Member Firms.

# NORTHCOAST RESEARCH PARTNERS, LLC

## STATEMENT OF FINANCIAL CONDITION

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	DECEMBER 31, <u>2017</u>
<b>ASSETS</b>	
Cash	\$ 2,655,608
Receivable from broker	18,585
Receivables from customers	185,809
Prepaid expenses	61,891
Equipment and leasehold improvements, net	<u>134,433</u>
	<u>\$ 3,056,326</u>
 <b>LIABILITIES AND MEMBER'S EQUITY</b>	
<b>LIABILITIES</b>	
Accounts payable/accrued expenses	\$ 95,126
Accrued payroll	466,046
Payable to related party	45,519
Deferred rent	<u>438,822</u>
<b>TOTAL LIABILITIES</b>	1,045,513
<b>MEMBER'S EQUITY</b>	<u>2,010,813</u>
	<u>\$ 3,056,326</u>

*See accompanying notes to statement of financial condition.*

# NORTHCOAST RESEARCH PARTNERS, LLC

## NOTES TO STATEMENT OF FINANCIAL CONDITION

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### **NOTE A – Organization and nature of business**

Northcoast Research Partners, LLC (the Company) provides independent equity research to its institutional customers. The Company is a limited liability company organized under the laws of Ohio and was incorporated on October 29, 2008. They began trading operations during May 2009. The Company, a wholly-owned subsidiary of Northcoast Research Holdings, LLC (Holdings or Parent), is registered as a broker-dealer under the Securities Exchange Act of 1934, and is a member of the Financial Industry Regulatory Authority (FINRA).

### **NOTE B – Summary of significant accounting policies**

#### General

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America. The Company does not carry customer accounts or hold funds or securities for customers, but operates as an introducing broker on a fully disclosed basis.

#### 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, the 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.

#### Deposit held by clearing broker

Under the terms of the clearing agreement between the Company and the clearing broker, the Company is required to maintain a certain level of cash on deposit with the clearing broker. Should the clearing broker suffer a loss due to a failure of a customer of the Company to complete a transaction, the Company is required to indemnify the clearing broker. Included in cash is \$250,000 of funds on deposit with the clearing broker.

#### Concentration of credit risk

The Company's cash balance is primarily in two financial institution located in Cleveland, Ohio. For each financial institution, the respective balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

The Company had receivables from two customers at December 31, 2017 that comprised 64% of the accounts receivable balance.

The Company is further exposed to credit risk for commissions receivable from the clearing broker and other unaffiliated institutions. Such credit risk is generally limited to the amount of receivable from brokers.

As of December 31, 2017, the Company had no other significant concentrations of risk.

# NORTHCOAST RESEARCH PARTNERS, LLC

## NOTES TO STATEMENT OF FINANCIAL CONDITION

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### NOTE B – Summary of significant accounting policies, continued

#### Accounts receivable and allowance for doubtful accounts

The Company reports receivables at net realizable value. The Company recognizes an allowance for losses on accounts receivable in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The Company's policy is to recognize bad debt expense, if any, in other expenses. At December 31, 2017, management determined that no allowance was necessary.

#### Equipment and leasehold improvements

Equipment and leasehold improvements consisted of the following at December 31, 2017:

Furniture and fixtures	\$ 159,743
Office equipment	212,286
Leasehold improvements	<u>27,974</u>
	400,003
Less accumulated depreciation	<u>(265,570)</u>
	<u>\$ 134,433</u>

The straight-line method is generally used to provide for depreciation over the estimated useful lives of the assets, primarily 7 years for furniture and fixtures and 3 years for computer equipment. Leasehold improvements are amortized over the shorter of their estimated useful life or the term of the lease.

#### Income taxes

The Company is not required to file Federal or state income tax returns. Due to being a single member limited liability company, the Company's income, gains, losses, deductions and credits are included on Holdings' tax return. Accordingly, there is no provision for income taxes in the accompanying financial statements. Holdings, as a limited liability company, is not subject to Federal or state income taxes and each of its members are required to report on their Federal and state income tax returns their share of Holdings' income, gains, losses, deductions and credits.

#### Recent accounting pronouncements

##### Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, Leases (Topic 842) (ASU 2016-02). The objective of ASU 2016-02 is to recognize lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption of ASU 2016-02 is permitted. The Company is currently evaluating the potential impact of this new guidance on its financial statements and related disclosures.

# **NORTHCOAST RESEARCH PARTNERS, LLC**

## **NOTES TO STATEMENT OF FINANCIAL CONDITION**

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### **NOTE B – Summary of significant accounting policies, continued**

#### *Events occurring after reporting date*

The Company has evaluated events and transactions that occurred between December 31, 2017 and February 27, 2018, which is the date that the financial statements were issued, for possible recognition or disclosure in the financial statements.

### **NOTE C – Related party transactions**

The Company was party to a support and services agreement with America Northcoast Securities, Inc., an affiliate of a member of Holdings, whereby America Northcoast Securities, Inc. (Northcoast Securities) provided various administrative and operational support services to the Company. As of December 31, 2017, the Company owes Northcoast Securities \$45,519 as disclosed as a payable to related party on the statement of financial condition. The agreement with Northcoast Securities terminated in June 2017.

### **NOTE D – Profit sharing plan**

The Company has a 401(k) profit sharing plan that covers substantially all employees. Employees may elect to contribute pre-tax a portion of their pay up to limits established by the IRS. The Company is required to contribute 3% of the employees' compensation, regardless of the individual's participation. Profit sharing contributions to the plan are discretionary and determined by management based on the firm's financial performance in the calendar year.

### **NOTE E – Lease commitments**

In 2013, Holdings decided to relocate the Company's office space and entered into a non-cancelable ten-year operating lease commencing on February 1, 2014. The lease is guaranteed by certain members of Holdings for up to \$650,000. This guarantee is reduced by \$130,000 after the conclusion of each lease year, and will be reduced to zero upon the conclusion of 5 years.

During 2016, the landlord asked Holdings to relocate the Company's offices to a different floor in the same building at the landlord's expense. Holdings and the landlord amended the original operating lease agreement which resulted in a reduction of lease expense commencing upon relocation. The amended lease did not alter the original length of the lease term nor the guarantee amount and the timing of the expiration of the guarantee. The Company relocated on October 9, 2017.

The office space lease agreement provides for escalating rent payments at various times during the lease term. Generally accepted accounting principles require that rent be recorded on a straight-line basis over the life of the lease. An aggregate difference between actual rent payments and the amount which would have been paid if payments were made on the straight-line basis is \$317,155 at December 31, 2017, which is recorded as deferred rent on the statement of financial condition.

# NORTHCOAST RESEARCH PARTNERS, LLC

## NOTES TO STATEMENT OF FINANCIAL CONDITION

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### NOTE E – Lease commitments, continued

During 2014, the landlord provided a tenant improvement allowance of \$200,000 for leasehold improvements which are deferred and accreted on a straight-line basis over the lease term as a reduction of rent expense. As of December 31, 2017, the leasehold allowance, net of accretion, was \$121,667 and is included in deferred rent on the statement of financial condition.

Future minimum lease payments under lease agreements as of December 31, 2017 are as follows:

2018	\$ 249,123
2019	301,440
2020	324,081
2021	326,139
2022	335,198
Thereafter	<u>373,907</u>
	<u>\$ 1,909,888</u>

### NOTE F – Net capital requirements

As a member organization of FINRA, the Company is subject to the Uniform Net Capital Rule 15c3-1 adopted by the SEC and administered by FINRA, 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. The Company's minimum net capital requirement as of December 31, 2017 was \$69,701. At December 31, 2017, the Company's net capital was \$1,628,680 and exceeded the minimum net capital requirement by \$1,558,979. The Company's ratio of aggregate indebtedness at December 31, 2017 was .64 to 1. The Company is exempt under provision (k)(2)(ii) of the Securities Exchange Act of 1934 Rule 15c3-3 from the "Computation for Determination of Reserve Requirements" and the schedule of "Information Relating to Possession or Control Requirements."

## Supplemental Information

**NORTHCOAST RESEARCH PARTNERS, LLC**

**COMPUTATION OF NET CAPITAL AND REQUIRED NET CAPITAL  
PURSUANT TO RULE 15c3-1 OF THE SECURITIES EXCHANGE ACT OF 1934  
AND STATEMENT PURSUANT TO RULE 17a-5(d)(2)(iii)**

**DECEMBER 31, 2017**

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Total member's equity from statement of financial condition	\$ 2,010,813
Nonallowable assets:	
Receivables	185,809
Equipment and leasehold improvements, net	134,433
Prepaid expenses	<u>61,891</u>
Total nonallowable assets	<u>382,133</u>
Net capital	\$ 1,628,680
Net capital requirement (greater of \$5,000 or 6-2/3% aggregate indebtedness)	\$ 69,701
Excess net capital	<u>\$ 1,558,979</u>
Total aggregate indebtedness	<u>\$ 1,045,513</u>
Percentage of aggregate indebtedness to net capital	64%

**Statement Pursuant to Rule 17a-5(d)(2)(iii)**

The above computation of net capital agrees with the corresponding computation prepared by the Company for inclusion on its Part II FOCUS Report filing as of December 31, 2017.

## Supplemental Reports



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32125 Solon Road  
Cleveland, OH 44139

## **Report of Independent Registered Public Accounting Firm**

Northcoast Research Holdings, LLC, the Sole Member of  
Northcoast Research Partners, LLC  
Cleveland, Ohio

We have reviewed management's statements, included in the accompanying SEC Rule 15c3-3 Exemption Report, in which (1) Northcoast Research Partners, LLC identified the following provision of the Securities Exchange Act of 1934 ("SEA") Rule 15c3-3(k) under which Northcoast Research Partners, LLC claimed an exemption from Rule 15c3-3 (k)(2)(ii) (the "exemption provision") and (2) Northcoast Research Partners, LLC stated that Northcoast Research Partners, LLC met the identified exemption provision throughout the most recent fiscal year without exception. Northcoast Research Partners, LLC's management is responsible for compliance with the exemption provision and its statements.

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

**BDO USA, LLP**

BDO USA, LLP  
Cleveland, Ohio  
February 27, 2018

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**NORTHCOAST RESEARCH PARTNERS, LLC  
SEC RULE 15c3-3 EXEMPTION REPORT**

**CONFIDENTIAL PURSUANT TO RULE 17a-5(e)(3)**

To the best of its knowledge and belief, Northcoast Research Partners, LLC states the following:

Northcoast Research Partners, LLC is exempt from SEC Rule 15c3-3 (the Customer Protection Rule) pursuant to exemptive paragraph 15c3-3(k)(2)(ii).

Northcoast Research Partners, LLC has met the identified exemptive provision noted above throughout the most recent fiscal year of 2017 without exception.

I, Sal Raffa, affirm that, to the best of my knowledge and belief, this Exemption Report is true and correct.

  
\_\_\_\_\_  
Sal Raffa  
Executive Managing Director and Chief Financial Officer

February 27, 2018