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OMB APPROVAL
OMB Number: 3235-0123
Expires: Oct. 31, 2023
Estimated average burden hours per response: 12
SEC FILE NUMBER
8-65866

**ANNUAL REPORTS
FORM X-17A-5
PART III**

FACING PAGE

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

FILING FOR THE PERIOD BEGINNING 01/01/2022 AND ENDING 12/31/2022
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: Compass Point Research & Trading, 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.)

1055 Thomas Jefferson Street NW, Suite 303

(No. and Street)

Washington

DC

20007

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Christopher Nealon 202-540-7315

cnealon@compasspointllc.com

(Name)

(Area Code – Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

Marcum LLP

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

53 State Street

Boston

MA

02109

(Address)

(City)

(State)

(Zip Code)

10/16/2003

688

(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.

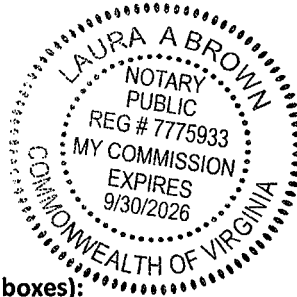
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OATH OR AFFIRMATION

I, Christopher Nealon, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Compass Point Research & Trading, LLC, as of 12/31, 2022, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.

[Signature]
Notary Public



Signature: [Signature]
Title: President & Chief Operating Officer

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...
(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.

COMPASS POINT RESEARCH AND TRADING, LLC

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2022

COMPASS POINT RESEARCH AND TRADING, LLC

CONTENTS

Report of Independent Registered Public Accounting Firm	1
Statement of Financial Condition	2
Notes to Financial Statement.....	3-12



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Members
of Compass Point Research & Trading, LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Compass Point Research & Trading, LLC (the "Company") as of December 31, 2022 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, 2022 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 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 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 2011.

Marcum LLP

Boston, MA
February 28, 2023

COMPASS POINT RESEARCH AND TRADING, LLC

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2022

Assets

Cash and cash equivalents	\$ 4,484,416
Investments, at fair value	2,800,478
Lease right-of-use asset	1,339,176
Deferred tax asset, net	1,208,723
Deposit with clearing brokers	351,127
Due from clearing organizations	469,811
Other assets	252,247
Prepaid expenses	341,410
Accounts receivable	199,932
Property and equipment, net	38,623
Total Assets	<u>\$ 11,485,943</u>

Commitments and Contingencies (Note 5)

Liabilities and Members' Equity

Liabilities

Accounts payable and accrued expenses	\$ 175,408
Lease liability	1,715,693
Accrued compensation	388,934
Total Liabilities	<u>2,280,035</u>

Members' equity	9,335,918
Employee notes receivable for purchase of membership interest	(130,010)
Total Members' Equity	<u>9,205,908</u>
Total Liabilities and Members' Equity	<u>\$ 11,485,943</u>

COMPASS POINT RESEARCH AND TRADING, LLC

NOTES TO FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 – NATURE OF ORGANIZATION

Compass Point Research & Trading, LLC (the "Company") is a broker-dealer registered with the Securities and Exchange Commission (the "SEC") and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). The Company is a full-service broker-dealer organized under the laws of the State of Delaware. Pursuant to agreements between the Company and its correspondent clearing brokers, proprietary and customer securities transactions are introduced and cleared on a fully disclosed basis.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

The Company considers all cash and money market instruments with an original maturity of ninety days or less to be cash equivalents. The Company maintains its demand deposits in what management believes to be high credit quality financial institutions as a result the Company does not have an expectation of credit losses from these institutions. Balances at times may exceed federally insured limits.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the lesser of economic useful life or the term of the lease. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations.

INCOME TAXES

The Company is organized as a limited liability company, however, is treated as a corporation for federal and state tax purposes. The Company files a U.S. federal income tax return and is subject to income tax in various states in which it operates. The Company's annual tax provision is determined pursuant to Accounting Standards Codification 740, "Income Taxes" ("ASC 740"). Income taxes are calculated using the asset and liability method. Deferred tax assets and liabilities represent the differences between the financial statement and income tax bases of assets and liabilities. The implications of Financial Accounting Standards Board ("FASB") ASC 842, enacted on January 1, 2019, were taken into consideration when determining deferred tax assets and liabilities as they pertain to the annual tax provision.

COMPASS POINT RESEARCH AND TRADING, LLC

NOTES TO FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

For all open tax years and for all major taxing jurisdictions, the Company has concluded that there are no uncertain tax positions that would require recognition in the financial statements. If the Company were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Company's conclusions regarding uncertain tax positions may be subject to review and adjustment later based upon ongoing analyses of tax laws, regulations, and interpretations thereof, as well as other factors. Generally, federal, state, and local authorities may examine the Company's tax returns for three years from the date of filing and the current and prior three years remain subject to examination as of December 31, 2022.

DEPOSITS WITH AND RECEIVABLES FROM CLEARING ORGANIZATION

The Company has agreements with two clearing organizations to execute and clear, on a fully disclosed basis, customer accounts of the Company. In accordance with these agreements, the Company is required to maintain a cash deposit of \$250,000 and \$100,000 respectively. Total clearing deposits were approximately \$351,000 as of December 31, 2022.

The balances shown on the statement of financial condition as a receivable from its clearing organizations consist of commissions receivable due in connection with the Company's normal transactions involving the trading of securities. The Company continually reviews the credit quality of the clearing organizations and has not experienced default. As a result, the Company does not have an expectation of credit losses for these receivables and no provision for credit losses has been provided.

CREDIT LOSS ON FINANCIAL INSTRUMENTS

The FASB Update ("ASU") 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments. This guidance requires entities to use a current expected credit loss impairment model based on expected losses rather than incurred losses. Under this model, an entity would recognize an impairment allowance equal to its current estimate of all contractual cash flows that the entity does not expect to collect from financial assets measured at amortized cost within the scope of the standard. 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. Management does not believe that an allowance is required as of December 31, 2022.

COMPASS POINT RESEARCH AND TRADING, LLC

NOTES TO FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 period. Accordingly, actual results could differ from those estimates.

SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date the financial statements were issued. All material subsequent events requiring adjustment to or disclosure in the financial statements are reflected therein.

NOTE 3 – FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

The FASB ASC 820 “Fair Value Measurement” (“ASC 820”) defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of the principal market, the most advantageous market.

Valuation techniques that are consistent with market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

- Level 1 -Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities the Company can access.
- Level 2 - Valuations based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurements. Inputs may include the Company’s own assumptions in determining the fair value of the assets and liabilities.

COMPASS POINT RESEARCH AND TRADING, LLC

NOTES TO FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 3— FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

The Company determines fair values for the following assets and liabilities:

Investments at Fair Value - The Company has common stock in a non-public Company within Level 3 of the fair value hierarchy. In determining the fair value of these securities, the Company considers various financial, performance and market factors to estimate the value. Because of the inherent uncertainty of any valuation of non-publicly traded companies, the fair value ascribed to such securities may differ from the value that would have been used had a ready market for such securities been available.

The following table presents the Company's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2022:

Assets:	Level 1	Level 2	Level 3	Total
Investments, at fair value:				
Common stock of a non-public company	-	-	2,800,478	2,800,478
Total value common stock of a non-public shares	\$ -	\$ -	\$ 2,800,478	\$ 2,800,478

There were no transfers between levels 1, 2 or 3 during the year ended December 31, 2022.

The table below sets forth a summary of changes in fair value for the Company's Level 3 financial asset for the year ended December 31, 2022:

	Investment Non-Public
Beginning balance as of January 1, 2022	\$ 2,800,478
Receipt of common stock	-
Sale of common stock	-
Unrealized gain (loss)	-
Ending balance as of December 31, 2022	<u>\$ 2,800,478</u>

COMPASS POINT RESEARCH AND TRADING, LLC

NOTES TO FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 3— FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

As of December 31, 2022, the Company owned 180,676 shares valued at \$2,800,478. The Company received these shares as compensation for its role as a Placement Agent in a private placement in 2021. These shares are common stock in a non-public company, and therefore treated as a financial asset classified within Level 3 within the fair value hierarchy.

The quantitative information below concerning the Company's investment in common non-public securities is measured at fair value on a recurring basis. It is based on information available to management. Independent third-party valuation quotes are not used to validate the fair value assigned to the investment as of December 31, 2022.

<u>Financial Statement Line Item</u>	<u>Fair Value</u>	<u>Valuation Technique</u>	<u>Unobservable Input</u>	<u>Value of Input</u>
Common stock of a non-public company owned, at fair value	\$ 2,800,478	Market approach	Estimated capital generation per share.	\$3.04
			Market Multiple	10x
			Present value discount	20%
			Liquidity discount	35%

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2022:

	<u>2022</u>
Furniture and fixtures	\$ 184,817
Leasehold improvements	113,965
Phone system	42,442
Computer equipment	38,838
Computer software	5,871
Office equipment	<u>2,568</u>
	388,501
Less: accumulated depreciation	<u>(349,878)</u>
	<u>\$ 38,623</u>

COMPASS POINT RESEARCH AND TRADING, LLC

NOTES TO FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 5 – COMMITMENTS AND CONTINGENCIES

REVOLVING NOTE AND CASH SUBORDINATION AGREEMENT

The Company entered into a Revolving Note and Cash Subordination Agreement (“Revolving Note”) with a bank (“Lender”) on September 20, 2019, the date of FINRA approval. The Revolving Note carried a term of one year, and the principal amount outstanding at any one time would not exceed \$3,000,000 (“Commitment Amount”). The Company paid the Lender a facility fee of 1.5% of the Commitment Amount. Advances under the Revolving Note bore interest from their respective date until payment on any unpaid principal balance had been made in full at the rate equal to the Prime Rate plus 2%. The original Revolving Note matured on September 20, 2020. The Company reentered into the Revolving Note and Cash Agreement on September 29, 2021, for a 12-month period. The Company renewed the Revolving Note for an additional 12-month term via an amendment on September 29, 2022. The terms and conditions of the Revolving Note renewed in 2022 remain the same apart from a modification to required net capital at drawdown. As of December 31, 2022, no advances were outstanding.

OPERATING LEASES AND SERVICE AGREEMENTS

The Company entered a lease (the “Lease Agreement”) for office space in Washington, D.C. in 2015. The lease term of eleven years will expire on May 31, 2026. As part of the lessor’s requirement for leasing the office space, the Company is required to maintain a security deposit of approximately \$37,000 with the landlord, which is included in other assets in the statement of financial condition. Additionally, per the terms of the Lease Agreement, the Company received lease incentives and a rent abatement.

On September 9, 2016, the Company entered into a three-year lease agreement (“New York Lease”) for office space in New York and was required to maintain a security deposit of approximately \$25,000 with the landlord and is included in other assets on the statement of financial condition. The lease expired on December 31, 2019, and was renewed for additional two-year term. When that term ended the Company chose to renew the lease for an additional one-year term that expired December 31, 2022. In 2022, the Company chose not to renew its original New York Lease. On December 14, 2022, the Company entered into a monthly agreement for office space in New York. The monthly New York Agreement commenced on January 1, 2023.

On January 1, 2019, the Company adopted ASC Topic 842, Lease (“Topic 842”). At the time of adoption, the Company determined it had one operating lease to be recognized under the right-of-use model and accordingly recorded a right-of-use asset and lease liability on its statement of financial condition. The Company did subsequently recognize a secondary right-of-use asset and lease liability for its New York Lease that expired December 31, 2022.

COMPASS POINT RESEARCH AND TRADING, LLC

NOTES TO FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 5 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

OPERATING LEASES AND SERVICE AGREEMENTS (CONTINUED)

Right-of-use assets and operating lease liabilities are recognized based on the present value of the future lease payments over the lease term at the commencement date. As most of the Company's leases do not provide an implicit rate, the Company estimated its incremental borrowing rate of 6% based on information available at the commencement date in determining the present value of future payments for both operating lease liabilities. The weighted-average remaining term for these leases is 40 months. Lease expenses for net present value of payments is recognized on a straight-line basis over the lease term. Cash paid for amounts included in the measurement of operating lease liabilities was \$641,655 during the year ended December 31, 2022. It is included in operating cash flows.

Maturities of lease liabilities under noncancelable operating leases as of December 31, 2022, are as follows:

	<u>Washington DC</u>
	<u>Lease</u>
2023	541,381
2024	554,913
2025	568,784
2026	239,423
Total	\$ 1,904,501
Less imputed interest	(188,808)
Total lease liability	<u>\$ 1,715,693</u>

In 2022, the Company entered into two Office Service Agreements, one in South Carolina and the other in California. Per the terms of the Service Agreements, the Company is limited to how the space is used, the Company has no control over the space, and the Company maintains no tenancy interest or rights typically afforded under a lease agreement. The Agreements, therefore, do not qualify as leases, and are accounted for as service contracts for shared office space.

The South Carolina Agreement that commenced on March 1, 2022, has a 18-month term. The Company paid a \$1,400 security deposit for the space in 2022. The California Agreement is a 12-month agreement that expires on September 30, 2023. The Company paid \$1,115 refundable retainer for the office space in California in 2022.

COMPASS POINT RESEARCH AND TRADING, LLC

NOTES TO FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 5 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

PAYCHECK PROTECTION PROGRAM LOAN

On May 5, 2020, the Company entered into a Promissory Note dated May 5, 2020 (the "PPP Note") with Newtek Small Business Finance, LLC as the lender (the "Lender"), pursuant to which the Lender agreed to make a loan to the Company under the Paycheck Protection Program (the "PPP Loan") offered by the U.S. Small Business Administration (the "SBA") in a principal amount of \$1,000,000 pursuant to Title 1 of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act").

The PPP Loan proceeds were available to use to pay payroll costs, including salaries, commissions, and similar compensation, group health care benefits, and paid leaves; rent; utilities; and interest on certain outstanding debt. On January 10, 2022, the Company was notified that its \$1,000,000 PPP Note and accrued interest of \$200,000 had been fully forgiven and considered paid in full.

LITIGATION AND CLAIMS

The Company may be subject to claims and litigation during the normal course of business. The Company is not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that would have a material adverse effect on the Company's statement of financial condition.

NOTE 6 – MEMBERS' EQUITY

The Company is organized as a limited liability company in accordance with the terms of the Company's amended and restated operating agreement (the "Agreement"). The Agreement provides for perpetual existence unless dissolved by the written consent of ownership majority percentages held by the Company's Members. As of December 31, 2022, the Company had one Managing Member and six Non-Managing Members with ownership interest determined by the number of units owned.

As of December 31, 2022, the Company had a \$130,010 employee notes receivable account balance. The employee notes receivable account is classified as contra-equity in the Company's statement of members' equity. The Company booked \$3,381 of interest to this account in 2022. As of December 31, 2022, the Managing Member's units totaled 753 units or 84.7% of members' equity and Non-Managing Members units totaled 136 units or 15.3% of members' equity.

COMPASS POINT RESEARCH AND TRADING, LLC

NOTES TO FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7 – FINANCIAL INSTRUMENTS WITH SUBJECT TO OFF-BALANCE SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

In the normal course of business, the Company's customers execute and settle securities transactions. These activities may expose the Company to off-balance sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company must purchase or sell the financial instrument underlying the contract at a loss.

Pursuant to the clearance agreements, the Company introduces all proprietary and customer transactions to another firm on a fully disclosed basis. In accordance with the clearing agreement, the Company is obligated to assume any exposure related to non-performance by customers or counter parties. The Company monitors clearance and settlement of all customer transactions daily.

The Company's exposure to credit risk associated with the non-performance of customers and counter parties in fulfilling their contractual obligations pursuant to these securities transactions can be directly impacted by volatile trading markets which may impair the customer's or counter party's ability to satisfy their obligations to the Company. In the event of non-performance, the Company may be required to purchase or sell financial instruments at unfavorable market prices resulting in a loss to the Company. The Company does not anticipate non-performance by customers and counter parties in the above situations.

The Company is also exposed to credit risk as it relates to the collection of receivables from third parties, including lead managers in underwriting transactions and the Company's corporate clients related to advisory services provided. The Company seeks to control the risks by requiring customers or counter parties to maintain collateral in compliance with regulatory requirements, clearing broker's guidelines, and industry standards.

COMPASS POINT RESEARCH AND TRADING, LLC

NOTES TO FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 8 – INCOME TAX

Significant components of Company's deferred tax assets and liabilities are as follows:

	<u>2022</u>
Deferred tax assets:	
Net operating losses	\$ 1,026,303
Capital Loss carry forwards	57,467
Lease Liability	472,116
Depreciation	20,573
Other	772
Total deferred tax assets	<u>1,577,231</u>
Deferred tax liabilities:	
Right of Use Asset	<u>(368,508)</u>
Total deferred tax liabilities	<u>(368,508)</u>
Net deferred tax assets	<u>\$ 1,208,723</u>

As of December 31, 2022, the Company has approximately \$3,730,000 of federal net operating loss (NOL) carryforwards, which do not expire, and \$3,728,000 of state NOL's. NOL's in certain states expire in 2042, while the large majority of state NOL's do not expire. The Company has approximately \$209,000 of capital loss carryforward which can be used to offset capital gains generated within five years. The amount of capital loss carryforwards which expire in 2023 and 2024 are approximately \$87,000 and \$122,000, respectively.

NOTE 9 – NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (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. As of December 31, 2022, the Company had net capital of \$4,415,854 which was \$4,315,854 in excess of its required net capital of \$100,000 and its ratio of aggregate indebtedness to net capital was 0.201 to 1.