



23000771

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

SEC Mail Processing

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

SEC FILE NUMBER
8-19082

MAR 01 2023

Washington, DC

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: Carty & Company, 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.)

6263 Poplar Avenue, Suite 800

(No. and Street)

Memphis

TN

38119

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Angela Ruetten

901-767-8940

aruetten@cartyco.com

(Name)

(Area Code - Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

Greer Walker CPA's & Advisors

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

227 West Trade Street, Suite 110

Charlotte

NC

28202

(Address)

(City)

(State)

(Zip Code)

06/07/2005

2324

(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.

RMS

OATH OR AFFIRMATION

I, Angela Ruetten, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Carty & Company, Inc., 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.

Sonja D. Cheeseman
Notary Public



Signature: Angela Ruetten
Title: CFO

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.

CONTENTS

	<u>Page</u>
Financial Statements	
Statement of Financial Condition	3
Statement of Income	4
Statement of Changes in Stockholder's Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Supplementary Information	
Schedule I - Computation of Net Capital under Rule 15c3-1	20



GreerWalker

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder of Carty & Company, Inc.:

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Carty & Company, Inc. (the "Company") as of December 31, 2022, the related statements of income, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, 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 these 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 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 statements are 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 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 Computation of Net Capital Pursuant to Rule 15c3-1 as of December 31, 2022 (the "supplemental information") has 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 supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Certified Public Accountants
February 27, 2023
Greenville, SC

GreerWalker LLP | GreerWalker Corporate Finance LLC | greerwalker.com

Charlotte Office The Carillon | 227 West Trade St., Suite 1100 | Charlotte, NC 28202 | USA | Tel 704.377.0239

Greenville Office Wells Fargo Center | 15 South Main St., Suite 800 | Greenville, SC 29601 | USA | Tel 864.752.0080

Carty & Company, Inc.
STATEMENT OF FINANCIAL CONDITION
December 31, 2022

ASSETS

Cash	\$ 127,505
Receivables:	
Broker-dealers and clearing organizations	5,184,018
Officers, directors and employees, net	450,625
Securities owned, at fair value	10,523,253
Furniture, equipment, and leasehold improvements, net of accumulated depreciation of \$1,008,551	361,884
Operating lease right-of-use assets, net	1,675,428
Other assets	<u>388,276</u>
TOTAL ASSETS	<u>\$18,710,989</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Accounts payable and accrued expenses	\$ 1,450,384
Payable to parent	1,145,178
Operating lease liabilities	1,759,884
Deferred income taxes	<u>41,897</u>
TOTAL LIABILITIES	4,397,343

STOCKHOLDER'S EQUITY

Common stock, no par value; authorized 25,000 shares; issued 10,500 shares; outstanding 3,833 1/3 shares	2,208,790
Retained earnings	<u>12,185,874</u>
	14,394,664
Less cost of 6,666 2/3 shares of treasury stock	<u>81,018</u>
	<u>14,313,646</u>

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$18,710,989</u>
---	----------------------------

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

Carty & Company, Inc.
STATEMENT OF INCOME
For the Year Ended December 31, 2022

REVENUE:	
Trading securities	\$14,406,415
Commissions	124,149
Interest income	310,086
Other	<u>81,454</u>
	<u>14,922,104</u>
EXPENSES:	
Commissions	7,146,569
Employee compensation	2,491,068
Clearance to non-brokers	270,790
Occupancy and equipment	566,059
Communications	117,389
Regulatory expenses	490,329
Other general, administrative and operating expenses	<u>1,563,438</u>
	<u>12,645,642</u>
INCOME BEFORE INCOME TAXES	<u>2,276,462</u>
INCOME TAX EXPENSE:	
Current	510,549
Deferred	<u>9,229</u>
	<u>519,778</u>
NET INCOME	<u>\$ 1,756,684</u>

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

Carty & Company, Inc.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
For the Year Ended December 31, 2022

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Total</u>
Balance at January 1, 2022	\$2,208,790	\$10,429,190	\$(81,018)	\$12,556,962
Net income	-	<u>1,756,684</u>	-	<u>1,756,684</u>
Balance at December 31, 2022	<u>\$2,208,790</u>	<u>\$12,185,874</u>	<u>\$(81,018)</u>	<u>\$14,313,646</u>

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

Carty & Company, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	\$ 1,756,684
Adjustments to reconcile net income to net cash provided by operating activities:	
Amortization and depreciation	137,174
Amortization of operating lease right-of-use assets	303,198
Deferred tax expense	9,229
(Increase) decrease in operating assets:	
Receivables from broker-dealers and clearing organization	5,784,951
Securities owned	(8,407,892)
Receivables from officers, directors, and employees	(158,693)
Other receivables	3,961
Other assets	(145,676)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	934,247
Operating lease liabilities	(318,276)
Payable to affiliate	<u>290,597</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>189,504</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of furniture, equipment and leasehold improvements	<u>(145,199)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(145,199)</u>
INCREASE IN CASH	44,305
CASH AT BEGINNING OF YEAR	<u>83,200</u>
CASH AT END OF YEAR	<u>\$ 127,505</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:	
Cash paid during the year for:	
Income taxes	\$ 5,123
Non-cash transactions:	
Operating lease right-of-use asset obtained in exchange for new operating lease obligation	\$ 221,789

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

Carty & Company, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE A - OPERATIONS AND ORGANIZATION

Carty & Company, Inc. ("the Company") is a securities broker-dealer operating under provisions of the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority (FINRA). The Company is a wholly-owned subsidiary of Carty Financial Corporation ("the Parent").

The Company operates primarily as a principal in transactions for the purchase and sale of various types of debt securities which include obligations of the United States Government, federal government agencies, various state and local governments, and corporate debt. The Company also acts as agent for customers in acquiring certificates of deposits, equity securities, mutual funds and private placement of mortgage loans.

The Company's securities transactions are made primarily with individuals, financial institutions, credit unions, private organizations and other broker-dealers.

The Company operates under the provisions of Paragraph (k)(2)(ii) of Rule 15c3-3 of the Securities and Exchange Commission ("SEC") 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 behalf of customers 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 of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker-dealer.

The Company has contracted with Pershing, LLC to act in the capacity of its clearing broker and all customer funds and securities are safe kept with that institution in accordance with SEC regulations. The customer's funds and securities are protected to limits provided by the Securities Investor Protection Corporation (SIPC) with additional protection provided by a third party to cover the entire account net equity up to an aggregate of \$100 million.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Recording Security Transactions

Purchases and sales of securities and related commission revenues and expenses are recorded on a settlement date basis, generally the second business day following the trade date. If materially different, transactions are adjusted to a trade date basis.

Carty & Company, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Collateral

The Company continues to report assets it has pledged as collateral in secured borrowing and other arrangements when the secured party cannot sell or pledge the assets.

Securities Owned and Securities Sold, But Not Yet Purchased

Marketable securities, consisting of stocks, corporate bonds, state, municipal and United States and agencies obligations, and securities sold but not yet purchased, are trading securities and valued at market value. Securities not readily marketable are stated at their estimated value. Rules and regulations of the SEC require valuation of broker-dealer owned securities to be valued at market. Unrealized gains and losses have been included in revenue.

Accounting for Bad Debts

The Company uses the direct write-off method of accounting for bad debts from broker-dealers and clearing organizations and the allowance method for amounts owed by officers, directors, and employees. The balance of \$450,625 owed by officers, directors and employees is net of a reserve allowance of \$110,000.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment, and leasehold improvements are stated at cost.

Depreciation expense is determined by the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Leasehold improvements are amortized over the lesser of the economic useful life or the term of the lease.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

Advertising Costs

The Company expenses all advertising costs, including direct response advertising costs, as they are incurred. Total advertising costs for the year ended December 31, 2022 were \$152,074.

Carty & Company, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes

The Company is included in the consolidated federal income tax return filed by its Parent. Federal income taxes are calculated as if the Company filed a separate return; and the amount of current tax expense or benefit calculated is either remitted to or received from the Parent. The amount of current taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years.

Allocated Expenses from Parent Company

The Parent incurs the costs of salaries, commissions and related expenses and allocates such costs to the operations of the Company. The Parent charges the Company a management fee to cover salary processing costs.

Revenue Recognition

The Company's revenue is comprised primarily of principal transactions for the purchase and sale of various types of debt securities which include obligations of the United States Government, federal government agencies, various state and local governments, and corporate debt. The Company also acts as agent for customers in acquiring certificates of deposits, equity securities, mutual funds, and private placements of mortgage loans.

Trading securities: The Company's trading revenue is comprised of gains and losses resulting from the sale of investment securities. These gains and losses are recorded on the settlement date basis. Accordingly, all related performance obligations related to the sale transaction are considered completed at settlement date. In addition to the revenue generated at the transaction level, net trading revenue also includes the write up or write down of the market value of the securities in inventory at the financial statement date.

Commissions: The Company receives commissions for the sale of certificates of deposit, equity securities, mutual funds, and private placement of mortgage loans. Revenue from the sale of these financial products is recorded on the trade date. The Company believes the performance obligation is satisfied on the trade date because that is the date that the underlying purchaser is identified, the pricing has been agreed upon, and the risks and rewards of ownership have been transferred.

Carty & Company, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Leases

The Company is a lessee in noncancelable operating leases for office space. 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, the Company uses its incremental borrowing rate based on the information available at the commencement date for all leases. 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 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 payment is recognized on a straight-line basis over the lease term.

Events Occurring After Report Date

The Company has evaluated events and transactions for possible recognition or disclosure in the financial statements. There are no subsequent events requiring disclosure.

NOTE C - FAIR VALUE MEASUREMENT

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

Carty & Company, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE C - FAIR VALUE MEASUREMENT - CONTINUED

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.

Following is a description of the valuation methodologies used for the assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022.

U. S. government securities: Valued at the closing price reported in the active market in which the individual securities are traded, except for Small Business Administration ("SBA") loans, for which amounts are determined based on the best information available in the circumstances.

Municipal securities: Certain municipal securities are valued at the closing price reported in the active market in which the security is traded. Other municipal securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings, maturity dates, and other factors related to the security.

Corporate bonds: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Common stocks: Certain common stocks are valued at the closing price reported in the active market in which the individual securities are traded. Investments in certain restricted common stocks are valued at the quoted market price of the issuer's unrestricted common stock less an appropriate discount. If a quoted market price for unrestricted common stock of the issuer is not available, restricted common stocks are valued at a multiple of current earnings less an appropriate discount. The multiple chosen is consistent with multiples of similar companies based on current market prices.

Carty & Company, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE C - FAIR VALUE MEASUREMENT - CONTINUED

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

	Fair Value Measurements on a Recurring Basis			
	As of December 31, 2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Securities owned:				
U.S. government securities	\$ -	\$ 2,013	\$81,000	\$83,013
Municipal securities	-	10,248,949	-	10,248,949
Corporate bonds	-	191,131	-	191,131
Common stocks	<u>160</u>	<u>-</u>	<u>-</u>	<u>160</u>
Total Securities Owned	<u>\$ 160</u>	<u>\$10,442,093</u>	<u>\$81,000</u>	<u>\$10,523,253</u>

NOTE D - RECEIVABLE FROM AND PAYABLE TO BROKER-DEALERS AND CLEARING ORGANIZATIONS

Amounts receivable from and payable to broker-dealers and clearing organizations at December 31, 2022, consist of the following:

	<u>Receivable</u>	<u>Payable</u>
Deposits	\$ 100,000	\$ -
Due from clearing organization	<u>5,084,018</u>	<u>-</u>
	<u>\$5,184,018</u>	<u>\$ -</u>

The Company clears certain of its proprietary and customer transactions through another broker-dealer on a fully disclosed basis. The amount payable to the clearing broker relates to the aforementioned transactions and is collateralized by securities owned by the Company.

Carty & Company, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE E - INCOME TAX MATTERS

Net deferred tax assets (liabilities) consist of the following components as of December 31, 2022:

Deferred tax assets (liabilities):	
Reserves and accruals	\$40,320
Fixed assets and leases	<u>(82,217)</u>
	<u>\$(41,897)</u>

Current and deferred tax expense by jurisdiction are as follows:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Federal	\$410,271	\$ 6,933	\$ 417,204
State and local	<u>100,278</u>	<u>2,296</u>	<u>102,574</u>
	<u>\$510,549</u>	<u>\$ 9,229</u>	<u>\$ 519,778</u>

The income tax provision differs from the amount of income tax expense determined by applying the U.S. federal income tax rate to pretax income from continuing operations for the year ended December 31, 2022 due to the following:

Computed "expected" federal income tax expense	\$478,057
Increase (decrease) in income tax expense resulting from:	
Non deductible expenses	7,387
Nontaxable income (tax-exempt bonds)	(26,778)
State income taxes	88,409
Other adjustments, net	<u>(27,297)</u>
	<u>\$519,778</u>

The Company recognizes the accrual of any interest and penalties related to unrecognized tax benefits in income tax expense. No interest or penalties were recognized in 2022.

The Parent and the Company believe they are no longer subject to federal or state tax examinations by taxing authorities for years before 2019.

Carty & Company, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE F – FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Furniture, equipment and leasehold improvements as of December 31, 2022 consisted of the following:

Furniture	\$ 796,922
Equipment	430,140
Leasehold improvements	<u>143,373</u>
Total gross cost	1,370,435
Less: accumulated depreciation and amortization	<u>1,008,551</u>
Total property, net	<u>\$ 361,884</u>

Depreciation expense for the year ended December 31, 2022 was \$137,174 and is included in occupancy and equipment in the accompanying statement of income.

NOTE G - NET CAPITAL REQUIREMENTS

The Company is subject to the SEC 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 under the applicable rules, shall not exceed 15 to 1. At December 31, 2022, the Company had net capital of \$12,530,199 which was \$12,280,199 in excess of its required net capital of \$250,000. The Company's ratio of aggregate indebtedness to net capital was .217 to 1.

NOTE H - 401(k) PROFIT SHARING PLAN

The Company's employees are included in the Carty & Company Inc. qualified 401(k) profit sharing plan. The Company's contribution to the plan is determined by the Board of Directors and is discretionary. The Company contributed \$81,436 to the profit sharing plan for the year ended December 31, 2022.

Carty & Company, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE I - LEASES

The Company is obligated for monthly lease payments on its Memphis office until September 30, 2027 and its Little Rock office until April 30, 2025. Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized in the statement of financial condition as of December 31, 2022, are as follows:

<u>Year Ending</u> <u>December 31:</u>	<u>Amount</u>
2023	\$ 453,520
2024	460,132
2025	412,696
2026	391,005
2027	295,893
Thereafter	<u> -</u>
Total undiscounted cash flows	\$2,013,246
Less present value discount	<u>253,362</u>
Total operating lease liability	<u><u>\$1,759,884</u></u>

The components of lease cost for the year ended December 31, 2022 are as follows:

Operating lease cost	\$411,407
Short term lease cost	<u>15,078</u>
Total lease cost	<u><u>\$426,485</u></u>

Amounts reported in the statement of financial condition as of December 31, 2022 were as follows:

Operating lease ROU assets	\$1,675,428
Operating lease liabilities	\$1,759,884
 Weighted average remaining lease term:	
Operating leases	4.46 years
 Weighted average discount rate: Carty	
Operating leases	5.90%

Carty & Company, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE I – LEASES - CONTINUED

The Company subleases a portion of its office space to a third party. The lessee is obligated for monthly lease payments through November 30, 2024. The lease requires annual rental payments as follows:

<u>Year Ending</u> <u>December 31:</u>	<u>Amount</u>
2023	\$ 94,294
2024	<u>87,440</u>
Total	<u>\$ 181,734</u>

NOTE J – COMMITMENTS AND CONTINGENCIES

The Company, in the normal course of its business, has matters involving regulations and procedures reviewed by FINRA, the SEC and other regulatory bodies. As of December 31, 2022, no items of material significance were outstanding as a result of such reviews.

The Company is subject to various claims or legal actions arising in the normal course of business. It is management's opinion that the resolution of these matters will not materially affect the Company's financial position or the results of its operations.

NOTE K – GUARANTEES

FASB ASC 460, *Guarantees*, requires the Company to disclose information about its obligations under certain guarantee arrangements. FASB ASC 460 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. This guidance also defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

Carty & Company, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE K – GUARANTEES - CONTINUED

Indemnifications

In the normal course of its business, the Company indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the Company or its affiliates. The Company also indemnifies some clients against potential losses incurred in the event specified third-party service providers, including subcustodians and third-party brokers, improperly executed transactions. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications

The Company provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The Company may also provide standard indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or adverse application of certain tax laws. These indemnifications generally are standard contractual terms and are entered into in the normal course of business. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

**NOTE L - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS AND
CONCENTRATION OF CREDIT RISK**

In the normal course of business, the Company may be exposed to risks in the execution of securities transactions. These transactions involve elements of risk as to credit extended, market fluctuations, and interest rate changes.

The Company's securities transactions clear primarily on a delivery versus payment basis. In transactions with repurchase agreements, margin may be required if market conditions are such as to indicate excessive elements of risk in these transactions. The execution of substantially all purchases and sales of securities requires the performance of another party to fulfill the transactions. In the event that a counter-party to the transaction fails to satisfy its obligation, the Company may be required to purchase or sell the security at the prevailing market price, which may have an adverse effect.

Carty & Company, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

**NOTE L - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS AND
CONCENTRATION OF CREDIT RISK - CONTINUED**

The nature of the securities industry is such that large cash balances are maintained in various financial institutions. These balances may exceed the limits of coverage guaranteed by the Federal Deposit Insurance Corporation.

The Company, as a securities broker-dealer, is engaged in various securities trading activities with a variety of customers including individuals, financial institutions, credit unions, insurance companies, pension plans, and other broker-dealers. The Company's exposure to credit risk associated with the non-performance of these counter-parties could be impacted by changing market conditions which would impair the counter-parties ability to satisfy their obligations to the Company.

NOTE M - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2022, the Parent allocated \$9,637,637 in direct wage costs and payroll taxes, and charged a management fee of \$21,890 to the Company. At December 31, 2022, the Company owed the Parent \$1,145,178.

NOTE N - ANNUAL REPORT OF FORM X-17A-5

The annual report to the Securities and Exchange Commission on Form X-17A-5 is available for examination and copying at the Company's office and at the regional office of the Securities and Exchange Commission.

NOTE O - COLLATERAL

Amounts that the Company has pledged as collateral for, which are not reclassified and reported separately, at December 31, 2022, consisted of the following:

<u>Financial Statement Classification</u>	<u>Carrying Amount</u>
Securities owned- at fair value	\$10,523,253

SUPPLEMENTARY INFORMATION

Carty & Company, Inc.
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
December 31, 2022

SCHEDULE I

Net capital:		
Total stockholder's equity		\$14,313,646
Deductions and/or charges:		
Nonallowable assets:		
Unsecured receivables - other	\$450,625	
Furniture, equipment and leasehold improvements, net	361,884	
Other assets	<u>289,094</u>	<u>1,101,603</u>
Net capital before haircuts on securities positions		13,212,043
Haircuts on securities:		
Exempt securities	653,602	
Debt securities	24,970	
Other securities	32	
Other	<u>3,240</u>	<u>681,844</u>
NET CAPITAL		<u>\$ 12,530,199</u>
Aggregate indebtedness:		
Items included in statement of financial condition:		
Accounts payable and accrued liabilities, payable to affiliate		<u>\$ 2,721,916</u>
AGGREGATE INDEBTEDNESS		<u>\$ 2,712,916</u>
Computation of basic net capital requirement:		
Minimum net capital required		<u>\$ 250,000</u>
Excess net capital		<u>\$ 12,530,199</u>
Excess net capital at 1000%		<u>\$ 12,230,199</u>
Ratio of aggregate indebtedness to net capital		<u>.217 to 1</u>

There are no material differences between the Company's computation of net capital under Rule 15c3-1 included in Part II of Form X-17A-5 as of December 31, 2022 and the computation above; therefore, no reconciliation of the computation of net capital under Rule 15c3-1 is included.



GreerWalker

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder of Carty & Company, Inc.:

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) Carty & Company, Inc. (the "Company") identified the following provisions of 17 C.F.R. §15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. §240.15c3-3(k)(2)(ii) (the "exemption provisions") and (2) the Company stated that it met the identified exemption provisions throughout the most recent fiscal year without exception. The Company's management is responsible for compliance with the exemption provisions 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 Company'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.

Certified Public Accountants
February 27, 2023
Greenville, SC

Carty & Company, Inc.'s Exemption Report

Carty & Company, Inc. (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:

- (1) The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provisions of 17 C.F.R. § 240.15c3-3(k)(2)(ii).
- (2) The Company met the identified exemption provisions in 17 C.F.R. § 240.15c3-3(k) throughout the most of recent fiscal year without exception.

Carty & Company, Inc.

I, Angela L. Ruetten, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.

By 
CFO



GreerWalker

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder of Carty & Company, Inc.:

We have performed the procedures included in Rule 17a-5(e)(4) under the Securities Exchange Act of 1934 and in the Securities Investor Protection Corporation ("SIPC") Series 600 Rules, which are enumerated below on the accompanying General Assessment Reconciliation (Form SIPC-7) for the year ended December 31, 2022. Management of Carty & Company, Inc. (the "Company") is responsible for its Form SIPC-7 and for its compliance with the applicable instructions on Form SIPC-7.

Management of the Company has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting you and SIPC in evaluating the Company's compliance with the applicable instructions on Form SIPC-7 for the year ended December 31, 2022. Additionally, SIPC has agreed to and acknowledged that the procedures performed are appropriate for their intended purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries noting no differences;
2. Compared the Total Revenue amounts reported on the Annual Audited Report Form X-17A-5 Part III for the year ended December 31, 2022, with the Total Revenue amounts reported in Form SIPC-7 for the year ended December 31, 2022 noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Recalculated the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences; and
5. Compared the amount of the overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences.

We were engaged by the Company to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and in accordance with the standards of the Public Company Accounting Oversight Board (United States). We were not engaged to, and did not conduct an examination or a review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Company's Form SIPC-7 and for its compliance with the applicable instructions on Form SIPC-7 for the year ended December 31, 2022. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

GreerWalker LLP | GreerWalker Corporate Finance LLC | greerwalker.com

Charlotte Office The Carillon | 227 West Trade St., Suite 1100 | Charlotte, NC 28202 | USA | Tel 704.377.0239

Greenville Office Wells Fargo Center | 15 South Main St., Suite 800 | Greenville, SC 29601 | USA | Tel 864.752.0080

We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Company and SIPC and is not intended to be, and should not be, used by anyone other than these specified parties.



Certified Public Accountants
February 27, 2023
Greenville, SC