



23001813

ON

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
8-29471

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 07/01/2022 AND ENDING 06/30/2023  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF FIRM: Network 1 Financial Securities, 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.)

2 Bridge Avenue, Suite 241

(No. and Street)

Red Bank

NJ

07701

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

William R. Hunt, Jr.

732-758-9001

bhunt@netw1.com

(Name)

(Area Code – Telephone Number)

(Email Address)

**B. ACCOUNTANT IDENTIFICATION**

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

Nawrocki Smith LLP

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

100 Motor Parkway

Hauppauge

NY

11788

(Address)

(City)

(State)

(Zip Code)

March 4, 2009

3370

(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.

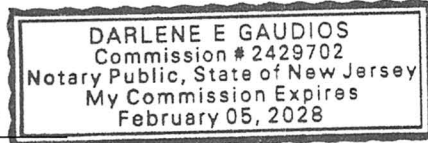
Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

RMS

OATH OR AFFIRMATION

I, William R. Hunt, Jr., swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Network 1 Financial Securities, Inc., as of JUNE 30, 2023, 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.

Darlene E. Gaudios  
Notary Public



Signature: William R. Hunt, Jr.  
Title: President

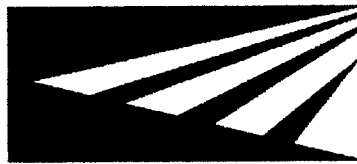
This filing\*\* contains (check all applicable boxes):

- (a) Statement of financial condition.
- (b) Notes to consolidated statement of financial condition.
- (c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income (as defined in § 210.1-02 of Regulation S-X).
- (d) Statement of cash flows.
- (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- (f) Statement of changes in liabilities subordinated to claims of creditors.
- (g) Notes to consolidated financial statements.
- (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (t) Independent public accountant's report based on an examination of the statement of financial condition.
- (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- (z) Other: \_\_\_\_\_

\*\*To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.

## TABLE OF CONTENTS

	Page
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	1
FINANCIAL STATEMENTS	2
Statement of Financial Condition	2
Statement of Income	3
Statement of Changes in Stockholders' Equity	4
Statement of Cash Flows	5
NOTES TO FINANCIAL STATEMENTS	6 -15
NET CAPITAL REQUIREMENTS AND COMPUTATION	16 - 17
EXEMPTION REPORT	18
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	19
SIPC SUPPLEMENTAL REPORT	20 - 21



**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders of  
Network 1 Financial Securities, Inc.:

**Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of Network 1 Financial Securities, Inc. (the "Company") as of June 30, 2023, the related statements of income, changes in stockholders' equity and cash flows for the year then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of Network 1 Financial Securities, Inc. as of June 30, 2023, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the U.S. 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.

**Auditor's Report on Supplemental Information**

The information contained in Schedules I, II and III have been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have served as Network 1 Financial Securities, Inc.'s auditor since 2017.

Hauppauge, New York  
September 28, 2023

*Nawrocki Smith LLP*

**NETWORK 1 FINANCIAL SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**As of June 30, 2023**

**ASSETS**

Cash and cash equivalents	\$	9,128,379
Deposit with clearing organization		234,386
Due from affiliates, net		1,245,884
Advances to registered representatives, net		795,819
Due from clearing organizations		467,677
Securities, at fair value		2,944,244
Property and equipment, net		3,202
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>14,819,591</u></b>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**LIABILITIES**

Commissions payable	\$	2,481,361
Capital Leases payable		3,191
Accounts payable, accrued expenses and other liabilities		4,154,000
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b><u>6,638,552</u></b>

**STOCKHOLDERS' EQUITY**

Series A Preferred stock, \$1.00 par value, 8% coupon; 1,000,000 shares authorized; 215,000 shares issued and outstanding		215,000
Series B Preferred stock, \$1.00 par value; 4,000,000 shares authorized; none issued and outstanding		-
Common stock, Class A \$.01 par value; 10,000,000 shares authorized; 1,643,930 shares issued and 1,141,430 outstanding		16,439
Common stock, Class B \$.01 par value, 2,000,000 shares authorized; 150,878 shares issued and 140,528 shares outstanding		1,509
Common Stock, Class C \$.01 par value; 3,000,000 shares authorized; none issued and outstanding		-
Additional Paid-in capital		2,015,391
Treasury stock at cost; Class A 502,500 shares and Class B 10,350 shares		(5,129)
Accumulated profit		5,937,829
<b>TOTAL STOCKHOLDERS' EQUITY</b>		<b><u>8,181,039</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$</b>	<b><u>14,819,591</u></b>

*(the accompanying notes are an integral part of these financial statements)*

**NETWORK 1 FINANCIAL SECURITIES, INC.**  
**STATEMENT OF INCOME**  
**For the Year Ended June 30, 2023**

**REVENUES**

Commissions	\$ 4,957,240
Mutual Fund fees	498,734
Investment advisory	534,641
Investment banking	9,071,769
Underwriting fees	3,329,640
Net dealer inventory gain	2,970,124
Interest and dividends	168,469
Transfer fees and clearing services	<u>629,794</u>
<b>Total Revenues</b>	<b><u>22,160,411</u></b>

**OPERATING EXPENSES**

Commissions	14,496,643
Employee compensation and benefits	2,113,478
Office expenses	130,471
Clearing fees	474,247
Occupancy and related expenses	526,356
Communications and data processing	765,693
Professional fees	2,103,097
Underwriting expenses	48,952
Licenses and permits	54,037
Bad debt expenses	248,833
Interest	25,864
Depreciation and amortization	<u>10,769</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>20,998,439</u></b>

PROFIT BEFORE INCOME TAXES	<u>1,161,971</u>
PROVISION FOR INCOME TAXES	<u>516,489</u>
NET PROFIT	<b><u><u>645,483</u></u></b>

*(the accompanying notes are an integral part of these financial statements)*

**NETWORK 1 FINANCIAL SECURITIES, INC.**  
**STATEMENT OF STOCKHOLDERS' EQUITY**  
**For the Year Ended June 30, 2023**

		Preferred Stock		Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Treasury Stock at Cost	Accumulated Profit	Total
		Shares	Amount	Shares	Amount	Shares	Amount				
BALANCE	July 1, 2022	\$215,000	\$ 215,000	\$1,643,930	\$ 16,439	\$150,878	1,509	\$ 2,015,391	\$ (5,129)	\$ 5,292,346	\$ 7,535,556
Net Profit		-	-	-	-	-	-	-	-	645,483	645,483
BALANCE	June 30, 2023	\$215,000	\$ 215,000	\$1,643,930	\$ 16,439	\$150,878	1,509	\$ 2,015,391	\$ (5,129)	\$ 5,937,829	\$ 8,181,039

*(the accompanying notes are an integral part of these financial statements)*

**NETWORK 1 FINANCIAL SECURITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2023**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net Profit	\$	645,484
Adjustments to reconcile net Income to net cash provided by operating activities		
Depreciation and amortization		10,769
Changes in operating assets and liabilities		
Deposit with clearing organization		(16,737)
Due from affiliates		(179,857)
Advances to registered representatives		(441,512)
Prepaid Expenses		35,194
Accounts receivable		682,087
Commissions payable		884,554
Due from clearing organization		999,751
Accounts payable, accrued expenses and other liabilities		(348,743)
TOTAL ADJUSTMENTS		<u>1,625,506</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>2,270,990</u>

**CASH FLOWS USED IN INVESTING ACTIVITIES**

Purchase of property and equipment		(1,152)
Change in investments		<u>(1,198,907)</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(1,200,059)</u>

**CASH FLOWS USED BY FINANCING ACTIVITIES**

Repayment of capital lease obligations		<u>(2,537)</u>
NET CASH USED IN FINANCING ACTIVITIES		<u>(2,537)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>1,068,394</u>

<u>CASH AND CASH EQUIVALENTS</u> - Beginning of year		<u>8,059,985</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of year		<u>9,128,379</u>

*(the accompanying notes are integral part of these financial statements)*

NETWORK 1 FINANCIAL SECURITIES, INC.  
Notes to Financial Statements  
SECURITIES AND EXCHANGE COMMISSION  
AS OF JUNE 30, 2023

NOTE 1 - ORGANIZATION

Network 1 Financial Securities, Inc. (the "Company") was organized as a Texas corporation on March 15, 1983 and is registered as a broker-dealer with the U.S. Securities and Exchange Commission (SEC), the State of Texas and various other states. The Company is an introducing broker-dealer that clears all transactions with and for customers on a fully disclosed basis with a clearing broker. In addition the Company participates in distribution of securities as underwriter or selling groups member, and private placements of securities. The Company is a member of the Financial Industry Regulatory Authority (FINRA).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the 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 the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Customer security transactions and the related commission income and expense are recorded as of the trade date. Investment banking revenues include gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which the Company acts as an underwriter or agent. Investment banking revenues also include fees earned from providing financial advisory services. Investment banking management fees are recorded on the offering date, sales concessions on the settlement date, and underwriting fees at the time the underwriting is completed and the income is reasonably determinable. Customers who are financing their transaction on margin are charged interest. The Company's margin requirements are in accordance with the terms and conditions mandated by its clearing firm. The interest is billed on the average daily balance of the margin account.

Net dealer inventory gains result from securities transactions entered into for the account and risk of the Company. Net dealer inventory gains are recorded on a trade date basis.

The Company generally acts as an agent in executing customer orders to buy or sell listed and over-the-counter securities in which it does not make a market, and charges commissions based on the services the Company provides to its customers. In executing customer orders to buy or sell a security in which the Company makes a market, the Company may sell to, or purchase from, customers at a price that is substantially equal to the current inter-dealer market price plus or minus a mark-up or mark-down. The Company may also act as agent and execute a customer's purchase or sale order with another broker-dealer market-maker at the best inter-dealer market price available and charge a commission. Mark-ups, mark-downs and commissions are generally priced competitively based on the services it provides to its customers. In each instance the commission charges, mark-ups or mark-downs, are in compliance with guidelines established by the FINRA. The Company receives fees for variable annuities and insurance as well as management fees from affiliates in which its RR's jointly registered. The Company receives fees for investment banking and underwriting services, mutual funds, and market making activities as well as clearing fees from its clearing firm.

Marketable securities are carried at fair value, with changes in value included in the statement of income in the period of change. Fair value is generally determined by quoted market prices. Non-marketable securities are valued at fair value as determined by management.

*(the accompanying notes are an integral part of these financial statements)*

# NETWORK 1 FINANCIAL SECURITIES, INC.

## Notes to Financial Statements

### SECURITIES AND EXCHANGE COMMISSION

AS OF JUNE 30, 2023

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Cash and Cash Equivalents

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

##### Property and Equipment

Property and equipment is recorded at cost. Depreciation is calculated using the straight-line method based on the estimated useful lives of the related assets, which range from five to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the assets or the terms of the leases. Maintenance and repairs are charged to expense as incurred; costs of major additions and betterments that extend the useful life of the asset are capitalized. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation or amortization are removed from the accounts and any gain or loss on disposal is recognized.

##### Fair Value of Financial Instruments

The Company adopted the provisions of ASC 820, “Fair Value Measurements”, which defines fair value for accounting purposes, establishes a framework for measuring fair value and expands disclosure requirements regarding fair value measurements. Fair value is defined as an exit price, which is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. The degree of judgment utilized in measuring the fair value of assets and liabilities generally correlates to the level of pricing observability. Financial assets and liabilities with readily available, actively quoted prices or for which fair value can be measured from actively quoted prices in active markets generally have more pricing observability and require less judgment in measuring fair value. Conversely, financial assets and liabilities that are rarely traded or not quoted have less price observability and are generally measured at fair value using valuation models that require more judgment. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency of the asset, liability or market and the nature of the asset or liability. As of June 30, 2023, the Company has categorized its financial assets and liabilities measured at fair value into a three-level hierarchy in accordance with ASC 820.

##### Impairment of Long-Lived Assets

The Company assesses the recoverability of its long-lived assets, including property and equipment when there are indications that the assets might be impaired. When evaluating assets for potential impairment, the Company first compares the carrying amount of the asset to the asset’s estimated future cash flows (undiscounted and without interest charges). If the estimated future cash flows used in this analysis are less than the carrying amount of the asset, an impairment loss calculation is prepared. The impairment loss calculation compares the carrying amount of the asset to the asset’s estimated future cash flows (discounted and with interest charges). If the carrying amount exceeds the asset’s estimated futures cash flows (discounted and with interest charges), the loss is located to the long-lived assets of the group on a pro rata basis using the relative carrying amounts of those assets. Based on its assessments, the Company did not incur any impairment charges for the year ended June 30, 2023.

*(the accompanying notes are an integral part of these financial statements)*

NETWORK 1 FINANCIAL SECURITIES, INC.  
Notes to Financial Statements  
SECURITIES AND EXCHANGE COMMISSION  
AS OF JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

The Company is engaged in trading and providing a broad range of securities brokerage and investment services to a diverse group of retail and institutional clientele, as well as corporate finance and investment banking services to corporations and businesses. Counterparties to the Company's business activities include broker-dealers and clearing organizations, banks and other financial institutions. The Company uses clearing brokers to process transactions and maintain customer accounts on a fee basis for the Company. The Company uses one clearing broker for substantially all of its business. The Company permits the clearing firms to extend credit to its clientele secured by cash and securities in the client's account. The Company's exposure to credit risk associated with the non-performance by its customers and counterparties in fulfilling their contractual obligations can be directly impacted by volatile or illiquid trading markets, which may impair the ability of customers and counterparties to satisfy their obligations to the Company. The Company has agreed to indemnify the clearing brokers for losses they incur while extending credit to the Company's clients. It is the Company's policy to review, as necessary, the credit standing of its customers and each counterparty. Amounts due from customers that are considered uncollectible by the clearing broker are charged back to the Company by the clearing broker when such amounts become determinable.

Upon notification of a charge back, such amounts, in total or in part, are then either (i) collected from the customers, (ii) charged to the broker initiating the transaction and included in other receivables in the accompanying balance sheet, and/or (iii) charged as an expense in the accompanying statements of operations, based on the particular facts and circumstances.

The maximum potential amount for future payments that the Company could be required to pay under this indemnification cannot be estimated. However, the Company believes that it is unlikely it will have to make any material payments under these arrangements and has not recorded any contingent liability in the financial statements for this indemnification.

The Company maintains cash with major financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures up to \$250,000 cash at each institution. At times such amounts may exceed the FDIC limits. At June 30, 2023 the Company had uninsured cash bank balances of \$8,319,443. The Company believes it is not exposed to any significant credit risks for cash.

Advances to Registered Representatives

The Company extends unsecured credit in the normal course of business to its registered representatives. The determination of the amount of uncollectible accounts is based on the amount of credit extended and the length of time each receivable has been outstanding, as it relates to each individual registered representative. The allowance for uncollectible amounts reflects the amount of loss that can be reasonably estimated by management and is included as part of operating expenses in the accompanying statements of operations. As of June 30, 2023, advances to registered representatives totaling \$38,833. were considered uncollectible, and as such was written off.

Income Taxes

In accordance with ASC 740 "Income Taxes", the Company accounts for income taxes under the liability method. Deferred income tax assets and liabilities are determined based on the estimated future tax effects of temporary differences between the financial statement and tax bases of assets and liabilities, as measured by current enacted tax rates. The Company periodically assess whether it is more likely than not that they will generate sufficient taxable income to realize the deferred tax assets. The Company records a valuation allowance, as necessary, to reduce the deferred tax assets to the amount of future tax benefit that The Company estimates is more likely than not to be realized. The Company believes that their estimates are reasonable; however, the final outcome of tax matters may be different from than the estimates reflected in their financial statements.

*(the accompanying notes are an integral part of these financial statements)*

NETWORK 1 FINANCIAL SECURITIES, INC.  
Notes to Financial Statements  
SECURITIES AND EXCHANGE COMMISSION  
AS OF JUNE 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company records tax benefits for positions that they believe are probable of being sustained under such examinations. Regularly, the Company assesses the potential outcome of such examinations to determine the adequacy of their income tax accruals. The Company adjusts their income tax provision during the period in which they determine that the actual results of the examinations may differ from their estimates. Changes in tax laws and rates are reflected in their income tax provision in the period in which they occur.

NOTE 3 – SECURITIES OWNED AND SECURITIES SOLD, BUT NOT YET PURCHASED, AT MARKET

The following table shows the market values of the Company's investment securities owned and securities sold, but not yet purchased as of June 30, 2023:

	Securities Owned	Securities Sold but not Purchased
Securities (other than clearing firm deposit)	\$2,944,244	\$0

Securities sold, but not yet purchased commit the Company to deliver specified securities at predetermined prices. The transactions may result in market risk since, to satisfy the obligation, the Company must acquire the securities at market prices, which may exceed the values reflected in the statement of financial condition. As of June 30, 2023, the Company had \$0 securities sold, but not yet purchased.

NOTE 4 – DEPOSIT WITH CLEARING ORGANIZATION

The following represents amounts on deposit with Axos Clearing (“Axos”), in the Company’s clearing broker inventory account:

Cash	\$ 234,386
Marketable securities, net of fair value adjustment of \$(88,482)	13,404
Total	\$ 247,790

The marketable securities are primarily comprised of corporate stocks. Marketable securities on deposit with Axos are reflected at fair value. The Company is required to maintain a deposit balance of \$100,000 with Axos of cash and securities.

*(the accompanying notes are an integral part of these financial statements)*

NETWORK 1 FINANCIAL SECURITIES, INC.  
Notes to Financial Statements  
SECURITIES AND EXCHANGE COMMISSION  
AS OF JUNE 30, 2023

**NOTE 5 – DUE FROM AFFILIATES**

As of June 30, 2023, due from affiliates consisted of the following:

Network 1 Financial Group Corp. (*)	\$ 3,532,717
Network 1 Financial Capital Management LLC (*)	37,762
Less, allowance for collectability	<u>(2,324,595)</u>
Total	<u><u>\$ 1,245,884</u></u>

(\*) Represents amounts due from an affiliate whose officers and shareholders are officers and indirect shareholders of the

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment, net, consists of the following at June 30, 2023:

Equipment	\$ 302,086
Furniture and fixtures	84,638
Total	<u>386,724</u>
Less: accumulated depreciation and amortization	<u>(383,522)</u>
Property and Equipment - Net	<u><u>3,202</u></u>

Depreciation and amortization expense for the year ended June 30, 2023 was \$10,769

**NOTE 7 – LEASE OBLIGATION**

The asset and liability under the leases are recorded at the present value of the minimum lease payments.

Amortization of assets held under the lease is included in depreciation expense.

At June 30, 2023, the future lease payments under the capital leases are as follows:

Fiscal Year Ending June 30,	<u>Amount</u>
2024	<u>2527</u>
2025	<u>675</u>
Total minimum lease payments	<u><u>\$ 3,202</u></u>

**NOTE 8 – BENEFIT CONTRIBUTION PLAN**

The Company sponsors a 401K profit sharing plan that covers substantially all of its employees. The plan provides for a discretionary annual contribution, and is allocated in proportion to compensation. In addition, each participant may elect to contribute to the Plan by way of a salary deduction. An employee becomes fully vested in the Company's contribution after 6 years. A participant is fully vested in their own contributions. For the year ended June 30, 2023, the Company reserved \$25,000 as discretionary contribution to the Plan.

*(the accompanying notes are an integral part of these financial statements)*

NETWORK 1 FINANCIAL SECURITIES, INC.  
Notes to Financial Statements  
SECURITIES AND EXCHANGE COMMISSION  
AS OF JUNE 30, 2023

NOTE 9 – STOCKHOLDERS' EQUITY

Shares Authorized

The Company's authorized number of shares of capital stock is 20,000,000 issuable in series with rights, preferences, privileges and restrictions as determined by the Board of Directors.

Series A Preferred Stock

As of June 30, 2023, the Company has 1,000,000 shares authorized, of 8% Series A preferred stock \$1.00 par value, and 215,000 shares are issued and outstanding.

The Series A preferred stock is redeemable at the option of the Company's Board of Directors at 125% of the issuance price plus any dividends earned but unpaid and after one year outstanding. The Series A preferred stock is non-voting and non-cumulative. Of the 215,000 shares issued, 99,000 shares are owned by National Financial Services Group, Inc., an affiliated company, whose officers and shareholders are officers and shareholders of the Company and 31,000 were owned by HT Ardinger and Son, an indirect owner of the Broker Dealer. An additional 25,000 shares are owned by Network 1 Financial Advisors, Inc. an affiliate of the Broker-Dealer and controlled by William R Hunt Jr. For the year ended June 30, 2023, the Company paid no dividends with respect to the preferred stock.

The preferred stock shareholders are entitled to a bonus dividend at the discretion of the Board of Directors based on the profitability of the firm's market making investment activities minus certain deductions. No bonus dividends were declared for the year ended June 30, 2023.

Series B Preferred Stock

As of June 30, 2023, the Company has 4,000,000 shares authorized, of Series B preferred stock \$1.00 par value, none issued and outstanding. The class B preferred stock is non-voting.

Class A Common Stock

As of June 30, 2023, the Company has 10,000,000 shares of class A common stock, \$0.01 par value authorized. 1,643,930 shares are issued and 1,141,430 shares are outstanding. The class A common stock is voting.

Class B Common Stock

As of June 30, 2023, the Company has 2,000,000 shares of class B common stock, \$0.01 par value authorized, 150,878 shares are issued and 140,528 shares are outstanding. The class B common stock is non-voting and is convertible to class A voting stock on a 1:1 ratio upon 75%-member approval of the Board of Directors.

Class C Common Stock

As of June 30, 2023, the Company has 3,000,000 shares of class C common stock, \$0.01 par value authorized, none issued and outstanding. The class C common stock is non-voting.

*(the accompanying notes are an integral part of these financial statements)*

NETWORK 1 FINANCIAL SECURITIES, INC.  
Notes to Financial Statements  
SECURITIES AND EXCHANGE COMMISSION  
AS OF JUNE 30, 2023

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Litigation

The Company may be involved in other legal proceedings in the ordinary course of business. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. The Company currently is involved in a legal proceeding as follows:

On or about May 17, 2021 the Company was named in an arbitration. The Claimant is seeking relief in the amount of \$1,300,000 for losses that may have occurred in their brokerage account serviced by a registered rep that is associated with the Firm. The Company has retained counsel to vigorously defend itself. In addition, the Company carries E&O insurance with a limit of \$1,000,000 per incident up to a maximum of \$2,000,000 per year with a deductible of \$250,000 of which legal fees incurred by the Firm are applied to the deductible. This claim should be dismissed under FINRA Rule 12206 (the so-called Eligibility Rule) as this claim was filed more than six years beyond the last event or occurrence giving rise to any claim claimed by claimant. An appropriate motion to dismiss has been filed. This case is still awaiting a hearing date.

On or about October 25, 2021 the Company was named in an arbitration. The Claimant is seeking relief in an unspecified amount for losses that may have occurred in their brokerage account serviced by a registered rep that is associated with the Firm. The Company has retained counsel to vigorously defend itself. In addition, the Company carries E&O insurance with a limit of \$1,000,000 per incident up to a maximum of \$2,000,000 per year with a deductible of \$250,000 of which legal fees incurred by the Firm are applied to the deductible. This case was settled for \$7900 on January 30, 2023.

On or about December 21st 2021, the Company was named in an arbitration. The Claimant is seeking relief in an unspecified amount for losses that may have occurred in their brokerage account serviced by a registered rep that is associated with the Firm. The Company has retained counsel to vigorously defend itself. In addition, the Company carries E&O insurance with a limit of \$1,000,000 per incident up to a maximum of \$2,000,000 per year with a deductible of \$250,000 of which legal fees incurred by the Firm are applied to the deductible. This arbitration was settled in the amount of \$25,000 and this arbitration was withdrawn on August 8, 2022.

On or about August 27, 2020 the Company was named in an arbitration. The Claimant is seeking relief in the amount of \$420,000 for losses that may have occurred in their brokerage account serviced by a registered rep that is associated with the Firm. The Company has retained counsel to vigorously defend itself. In addition, the Company carries E&O insurance with a limit of \$1,000,000 per incident up to a maximum of \$2,000,000 per year with a deductible of \$250,000 of which legal fees incurred by the Firm are applied to the deductible. On June 30, 2022 the arbitration panel entered an award in favor of the claimant. The panel awarded a total award to claimant in the amount of \$1,232,765.44 . On July 22, 2022 a petition for vacatur was timely filed in Texas state district in Harris County. The petition was denied. The Firm is currently making payments to the claimants which will be paid in full December 2023.

On or about June 24, 2022 the Company was named in an arbitration. The Claimant is seeking relief in an amount of \$130,000 for losses that may have occurred in their brokerage account serviced by a registered rep that is associated with the Firm. The Company has retained counsel to vigorously defend itself. In addition, the Company carries E&O insurance with a limit of \$1,000,000 per incident up to a maximum of \$2,000,000 per year with a deductible of \$250,000 of which legal fees incurred by the Firm are applied to the deductible. This case was settled for \$21,250 in November.

*(the accompanying notes are an integral part of these financial statements)*

NETWORK 1 FINANCIAL SECURITIES, INC.  
Notes to Financial Statements  
SECURITIES AND EXCHANGE COMMISSION  
AS OF JUNE 30, 2023

NOTE 10 – COMMITMENTS AND CONTINGENCIES - (Continued)

On or about January 24, 2023 the Company was named in an arbitration. The several Claimants are seeking relief collectively in the amount of \$3,767,262 for losses that may have occurred in their brokerage account serviced by a registered rep that is associated with the Firm. The Company has retained counsel to vigorously defend itself. In addition, the Company carries E&O insurance with a limit of \$1,000,000 per incident up to a maximum of \$2,000,000 per year with a deductible of \$250,000 of which legal fees incurred by the Firm are applied to the deductible. This case is in the discovery phase.

On or about April 25, 2023 the Company was named in an arbitration. The Claimants is seeking relief in the amount of \$343,000 for losses that may have occurred in their brokerage account serviced by a registered rep that is associated with the Firm. The Company has retained counsel to vigorously defend itself. In addition, the Company carries E&O insurance with a limit of \$1,000,000 per incident up to a maximum of \$2,000,000 per year with a deductible of \$250,000 of which legal fees incurred by the Firm are applied to the deductible. This case is in the discovery phase.

The Company has not established liabilities for the potential loss related to the above arbitration. In determining whether to establish a liability, the Company's management uses its judgment to determine the probability that losses have been incurred and a reasonable estimate of the amount of the losses. In making these decisions, we base our judgments on our knowledge of the situations, consultations with legal counsel and our historical experience in resolving similar matters. In many lawsuits, arbitrations and regulatory proceedings, it is not possible to determine whether a liability has been incurred or to estimate the amount of that liability until the matter is close to resolution. However, accruals are reviewed regularly and are adjusted to reflect our estimates of the impact of developments, rulings, advice of counsel and any other information pertinent to a particular matter. Because of the inherent difficulty in predicting the ultimate outcome of legal and regulatory actions, we cannot predict with certainty the eventual loss or range of loss related to such matters. If our judgments prove to be incorrect, our liability for losses and contingencies may not accurately reflect actual losses that result from these actions, which could materially affect results in the period other expenses are ultimately determined.

NOTE 11 – Lease Commitments

The Company leases its corporate office facility month to month under an operating lease with to Network 1 Financial Group, Inc. the Company's parent. Additionally, the Company has five other office facilities, Syosset NY, Brewster NY, Hauppauge NY, NYC, NY, Seaford, NY in which it also leases on a month-to-month lease with Network 1 Financial Group. Rent expense for the year ended June 30, 2022 was \$447,142.

*(the accompanying notes are an integral part of these financial statements)*

# NETWORK 1 FINANCIAL SECURITIES, INC.

## Notes to Financial Statements

### SECURITIES AND EXCHANGE COMMISSION

AS OF JUNE 30, 2023

#### NOTE 12 – RELATED PARTY TRANSACTIONS

Network 1 Financial Securities, Inc. maintains an established Expense Sharing Agreement that requires Network 1 Financial Group, Inc. to share in the common operating expenses and pay direct expenses that are billed to Network 1 Financial Group, Inc. Network 1 Financial Securities, Inc. has no operating leases in its name. The allocated expenses are made at the end of each month and are adjusted (if necessary) at the end of every quarter in line with FOCUS reporting. For the year ended June 30, 2023 Network 1 Financial Securities, Inc. paid Network 1 Financial Group, Inc. \$1,685,409. Network 1 Financial Securities, Inc. is related to Network 1 Financial Assurance Corp. a New Jersey insurance agency through common ownership by certain shareholders of the Company for the purpose of conducting insurance business. Network 1 Financial Securities, Inc. is related to Network 1 Financial Advisors, Inc. a New Jersey Registered Investment adviser through common ownership by certain shareholders of the Company for the purpose of coordinating investment advisory services. Network 1 Financial Securities, Inc. is related to Network 1 Capital Management, Inc. and provides quote services that are recorded as an asset, due from affiliates.

#### NOTE 13 – FAIR VALUE MEASUREMENTS

ASC 820 defines fair value as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes the following three levels of inputs that may be used:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets but corroborated by market data.

Level 3: Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The table below summarizes the fair values of financial assets that are measured on a recurring basis at fair value as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Securities held for resale, at market	\$ 1,975,612	955,228	-	2,930,840
Marketable securities with clearing organization	13,404	-	-	13,404
<b>Total</b>	<b>\$ 1,989,016</b>	<b>\$ 955,228</b>	<b>\$ -</b>	<b>\$ 2,944,244</b>

#### NOTE 14 – NET CAPITAL REQUIREMENTS

The Company is a registered broker-dealer and is subject to the SEC's Uniform Net Capital Rule 15c3-1. This requires that the Company maintain minimum net capital of \$100,000 and also requires that the ratio of aggregate indebtedness, as defined, to net capital, shall not exceed 15 to 1.

As of June 30, 2023, the Company's net capital exceeded the requirement by approximately \$4,647,513

*(the accompanying notes are an integral part of these financial statements)*

NETWORK 1 FINANCIAL SECURITIES, INC.  
Notes to Financial Statements  
SECURITIES AND EXCHANGE COMMISSION  
AS OF JUNE 30, 2023

NOTE 14 – NET CAPITAL REQUIREMENTS- (Continued)

Advances, dividend payments and other equity withdrawals are restricted by the regulations of the SEC, and other regulatory agencies are subject to certain notification and other provisions of the net capital rules of the SEC. The Company qualifies under the exempted provisions of Rule 15c3-3 as the Company does not carry security accounts for customers or perform custodial functions related to customer securities.

NOTE 15 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through September 28, 2023 the date the financial statements were available to be issued, noting there to be no material subsequent events that have occurred that would require disclosure in this report or would be required to be recognized in the financial statement as of June 30, 2023.

On or about August 11, 2023 the Company was named in an arbitration. The Claimants is seeking relief in an unspecified amount of for losses that may have occurred in their brokerage account serviced by a registered rep that is associated with the Firm. The Company has retained counsel to vigorously defend itself. In addition, the Company carries E&O insurance with a limit of \$1,000,000 per incident up to a maximum of \$2,000,000 per year with a deductible of \$250,000 of which legal fees incurred by the Firm are applied to the deductible. This case is in the discovery phase.

On August 8, 2023 the firm signed an AWC with FINRA to settle a matter concerning active trading in some of the firm's customer accounts. FINRA accepted the AWC on August 31. The Firm was censured and fined \$200,000 and required to repay commission charged to seven current customer accounts and one former customer account.

*(the accompanying notes are an integral part of these financial statements)*

**NETWORK 1 FINANCIAL SECURITIES, INC.**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15C-1 OF THE**  
**SECURITIES AND EXCHANGE COMMISSION**

For the Year Ended June 30, 2023

**NETWORK 1 FINANCIAL SECURITIES, INC.**

**NET CAPITAL**

Total stockholders' equity \$ 8,181,039

**Deductions and/or charges:**

**Non-allowable assets:**

Petty Cash	200
Advances to registered representatives	497,310
Marketable securities, restricted	955,228
Other Assets	<u>1,547,595</u>
	<u>3,000,333</u>

**NET CAPITAL BEFORE HAIRCUTS AND SECURITIES** 5,180,706

**Haircuts of securities**

**Trading and investment securities**

Other securities	89,541
Blockage charges	<u>1,083</u>
	<u>90,624</u>

**NET CAPITAL** 5,090,082

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum net capital required 442,570

Excess net capital 4,647,512

**AGGREGATE INDEBTEDNESS**

**Items included in statement of financial condition:**

Commissions payable	2,481,361
Capital leases	3,191
Accounts payable, accrued expense and other liabilities	<u>4,154,000</u>
<b>TOTAL AGGREGATE INDEBTEDNESS</b>	<b>\$ <u>6,638,552</u></b>

Ratio: aggregate indebtedness to net capital 1.30 to 1

**RECONCILIATION WITH COMPANY'S COMPUTATION**

(included in Part II of Form X-17-5 as of June 30, 2023 as amended on September 26, 2023)

Net capital, as reported in Company's Part II \$ 5,090,083

Net capital per preceding \$ 5,090,083

*(the accompanying notes are an integral part of these financial statements)*

NETWORK 1 FINANCIAL SECURITIES, INC.  
COMPUTATION OF NET CAPITAL UNDER RULE 15C-1 OF THE  
SECURITIES AND EXCHANGE COMMISSION  
For the Year Ended June 30, 2023

SCHEDULE II: COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER RULE 15c3-3

The Company is exempt from the provision of rule 15c3-3 and for the year ended June 30, 2023, the Company was in compliance with the conditions of exemption.

SCHEDULE III: INFORMATION FOR POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15c3-3

The Company is exempt from the provision of rule 15c3-3 and for year ended June 30, 2023, the Company was in compliance with the conditions of exemption.

*(the accompanying notes are an integral part of these financial statements)*

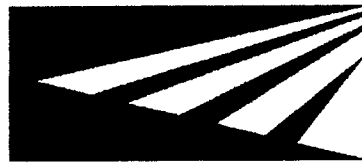
Network 1 Financial Securities, Inc. (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) 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 recent fiscal year without exception.
- (2) The Company is also filing this Exemption Report because the Company's other business activities contemplated by Footnote 74 of the SEC Release No. 34-70073 adopting amendments to 17 C.F.R. § 240.17a-5 are limited to:(1) proprietary trading; (2) effecting securities transactions via subscriptions on a subscription way basis where the funds are payable to the issuer or its agent and not to the Company; (3) receiving transaction-based compensation for securities transactions to other broker-dealers, (4) participating in public offerings of securities on best effort basis ;and the Company (1) did not directly or indirectly receive, hold, or otherwise owe funds or securities for or to customers, (other than money or other consideration received and promptly transmitted in compliance with paragraph (a) or (b)(2) of Rule 15c2-4 and/or funds received and promptly transmitted for effecting transactions via subscriptions on a subscription way basis where the funds are payable to the issuer or its agent and not to the Company); (2) did not carry accounts of or for customers; and did not carry PAB accounts (as defined in Rule 15c3-3) throughout the most recent fiscal year without exception.

I, William R. Hunt, Jr., swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.

By:  *William R. Hunt, Jr.* **AE**

Title: President  
September 28, 2023



**NawrockiSmith**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders of  
Network 1 Financial Securities, Inc.:

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) Network 1 Financial Securities, Inc. identified the following provision of 17 C.F.R. §15c3-3(k) under which Network 1 Financial Securities, Inc. claimed the following exemption from 17 C.F.R. §240.15c3-3: (k)(2)(ii) and (2) Network 1 Financial Securities, Inc. stated that Network 1 Financial Securities, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception.

The Company is also filing this Exemption Report because the Company's other business activities contemplated by Footnote 74 of the SEC Release No. 34-70073 adopting amendments to 17 C.F.R. § 240.17a-5 are limited to proprietary trading, effecting securities transactions via subscriptions on a subscription way basis where the funds are payable to the issuer or its agent and not to the Company, receiving transaction-based compensation for securities transactions to other broker-dealers and participating in public offerings of securities on a best effort basis. In addition, the Company did not directly or indirectly receive, hold, or otherwise owe funds or securities for or to customers; did not carry accounts of or for customers; and did not carry PAB accounts (as defined in Rule 15c3-3) throughout the most recent fiscal year without exception.

Network 1 Financial Securities, Inc.'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 Network 1 Financial Securities, Inc.'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 and the Company's other business activities contemplated by Footnote 74 of the SEC Release No. 34-70073 adopting amendments to 17 C.F.R. § 240.17a-5, and related SEC Staff Frequently Asked Questions.

Hauppauge, New York  
September 28, 2023

*Nawrocki Smith LLP*

**SIPC-7**

(36-REV 12/18)

SECURITIES INVESTOR PROTECTION CORPORATION

Mail Code: 8967 P.O. Box 7247 Philadelphia, PA 19170-0001

General Assessment Reconciliation

6/30/2023

For the fiscal year ended (Read carefully the instructions in your Working Copy before completing this Form)

TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

Network 1 Financial Securities, Inc.
2 Bridge Ave. Ste. 241
Red Bank, NJ 07701-4602

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

Wm. Hunt, Jr. (732) 758-9001

Table with 2 columns: Description (A-H) and Amount. Includes rows for General Assessment, Less payment made with SIPC-6, Less prior overpayment, Assessment balance due, Interest computed, Total assessment balance, and PAYMENT details (Check, Funds Wired, ACH).

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

Network 1 Financial Securities, Inc.

(Name of Corporation, Partnership or other organization)

Willow R. Hunt, Jr. (Authorized Signature)

President

(Title)

Dated the 28 day of September, 2023.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER

Dates: Postmarked, Received, Reviewed, Calculations, Documentation, Forward Copy, Exceptions, Disposition of exceptions:

**DETERMINATION OF "SIPC NET OPERATING REVENUES"  
AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning 7/1/2022  
and ending 6/30/2023

Eliminate cents

<b>Item No.</b>		
2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)		<u>\$22,160,411</u>
2b. Additions:		
(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.		<u>0</u>
(2) Net loss from principal transactions in securities in trading accounts.		<u>46,768</u>
(3) Net loss from principal transactions in commodities in trading accounts.		<u>0</u>
(4) Interest and dividend expense deducted in determining item 2a.		<u>0</u>
(5) Net loss from management of or participation in the underwriting or distribution of securities.		<u>0</u>
(6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.		<u>0</u>
(7) Net loss from securities in investment accounts.		<u>0</u>
Total additions		<u>22,207,179</u>
2c. Deductions:		
(1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.		<u>582,862</u>
(2) Revenues from commodity transactions.		<u>0</u>
(3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.		<u>474,244</u>
(4) Reimbursements for postage in connection with proxy solicitation.		<u>0</u>
(5) Net gain from securities in investment accounts.		<u>2,970,124</u>
(6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.		<u>0</u>
(7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).		<u>0</u>
(8) Other revenue not related either directly or indirectly to the securities business. (See Instruction C):		<u>0</u>
(Deductions in excess of \$100,000 require documentation)		
(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.	\$ <u>25,863</u>	
(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).	\$ <u>13,512</u>	
Enter the greater of line (i) or (ii)		<u>25,863</u>
Total deductions		<u>4,003,093</u>
2d. SIPC Net Operating Revenues		<u>\$ 18,204,086</u>
2e. General Assessment @ .0015		<u>\$ 27,306</u>
		(to page 1, line 2.A.)



**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON  
APPLYING AGREE-UPON PROCEDURES**

To the Stockholders of  
Network 1 Financial Securities, 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 June 30, 2023. Management of Network 1 Financial Securities, Inc. (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 June 30, 2023. 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 our 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 June 30, 2023 with the Total Revenue amount reported in Form SIPC-7 for the year ended June 30, 2023, 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 any 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 AICPA 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 June 30, 2023. 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.

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 Network 1 Financial Securities, Inc. and SIPC and is not intended to be and should not be used by anyone other than these specified parties.

Hauppauge, New York  
September 28, 2023

*Nawrocki Smith LLP*