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Potential 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.

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#### OATH OR AFFIRMATION

I, <u>Robert J Cross</u>, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of <u>Cross Research Group, LLC</u>, as of <u>December 31</u>, 20<u>15</u>, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

#### JOANN P. WEBER NOTARY PUBLIC OF NEW JERSEY MY COMMISSION EXPIRES MAY 24, 2016

COO, CFO, CCC

Signature

Title

- This report \*\* contains (check all applicable boxes):
- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- □ (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- □ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (1) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.

(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

## STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2015 AND 2014

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## INDEX TO THE FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

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Report of Independent Certified Public Accountants	3-4
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must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

Potential 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.

#### OATH OR AFFIRMATION

I, <u>Robert J Cross</u>, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of <u>Cross Research Group, LLC</u>, as of <u>December 31</u>, 20<u>15</u>, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account

Notary Public

ignature COO. CFO, CCO Title

#### JOANN P. WEBER NOTARY PUBLIC OF NEW JERSEY MY COMMISSION EXPIRES MAY 24, 2016

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

classified solely as that of a customer, except as follows:

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

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

PO BOX 26 15 BROADWAY DENVILLE, NJ 07834

## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Members of Cross Research Group, LLC Millburn, New Jersey

VELOCCI & ASSOCIATES CERTIFIED PUBLIC ACCOUNTANTS

#### **Report on the Financial Statements**

We have audited the accompanying statements of financial condition of Cross Research Group, LLC (a New Jersey limited liability company) as of December 31, 2015 and 2014 that are filed pursuant to rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain\_reasonable\_assurance about whether the financial statements\_are\_free\_of\_material\_\_\_\_\_ misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financialstatements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the

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PHONE: (973) 620-9607

FAX: (973) 620-9604

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financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cross Research Group, LLC as of December 31, 2015 and 2014, in accordance with accounting principles generally accepted in the United States of America.

J. Velocci & Associates

J. Velocci & Associates

Denville, New Jersey February 22, 2016 ł

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## STATEMENTS OF FINANCIAL CONDITION AS OF DECEMBER 31, 2015 AND 2014

## <u>ASSETS</u>

	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash (Notes 1 & 2)	\$ 214,493	\$ 338,731
Commissions Receivable (Notes 1 & 2)	0	25,444
Research Fees Receivable (Notes 1 & 2)	66,815	83,394
Prepaid Expenses	40,843	32,764
Prepaid Insurance	11,440	 10,198
Total Current Assets	333,591	 490,531
Fixed Assets (Note 2):		
Furniture and Equipment	149,065	145,556
Less: Accumulated Depreciation	122,068	 107,034
Net Fixed Assets	26,997	 38,522
Other Assets:		
Security Deposit (Note 3)	14,482	 14,482
TOTAL ASSETS	\$ 375,070	\$ 543,535

#### LIABILITIES AND MEMBERS' EQUITY

Current Liabilities:		
Accounts Payable	\$ 14,128	\$ 14,327
Accrued Expense Payable	20,635	134,807
Total Current Liablities	 34,763	149,134
Unearned Income ( Note6 )	11,667	0
Total Liablities	 46,430	 149,134
Members' Equity:		
Members' Equity (Page 7)	328,640	394,401
Total Members' Equity	 328,640	 394,401
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 375,070	\$ 543,535

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

Subject to the comments in the "Report of Independent Certified Public Accountants".

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

#### NOTE 1 - NATURE OF OPERATIONS AND CONCENTRATIONS OF CREDIT RISK

- Cross Research Group, LLC is an independent equity research company focused on the technology industry. Sectors covered by the Company's analysts include: IT Hardware, Imaging Technology, and Enterprise Software. Cross Research Group, LLC serves approximately 100 domestic institutional clients.
- The Company maintains a cash balance at a commercial bank. Accounts at this bank are insured by the Federal Deposit Insurance Corporation (FDIC). At times during the years, the balance in this institution may exceed the FDIC insurance level. Generally, these deposits may be redeemed upon demand, therefore, bear minimal risk.
- The Company performs periodic credit evaluations of its customers and generally does not require collateral. The Company does not believe significant credit risks exist at December 31, 2015 and 2014, with respect to its commissions and research fees receivables.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies followed by the Company in the preparation of the accompanying financial statements is set forth below.

## **USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## NOTES TO THE FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### CASH AND CASH EQUIVALENTS:

For the purposes of the statement of financial condition classification, investments with an original maturity of three months or less are considered cash equivalents.

## ALLOWANCE FOR DOUBTFUL ACCOUNTS:

Commissions and Research Fees receivables are stated net of an allowance for doubtful accounts. The Company estimates the allowance based on an analysis of specific customers, taking into consideration the age of past due accounts and an assessment of the customer's ability to pay. The allowance for doubtful accounts was \$0 at December 31, 2015 and 2014.

#### **INCOME TAXES:**

- As a limited liability company, all income and expenses pass through to the members and are reported directly by each member. As such, the limited liability company acts as a conduit for its members and pays no Federal or State income taxes itself.
- The Company adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Company's financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2015 and 2014.
- The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company believes it is no longer subject to income tax examinations for years prior to 2012.

## NOTES TO THE FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

## **INCOME TAXES (CONT.)**

The Company's policy is to classify income tax related interest and penalties against Members' Equity.

#### FIXED ASSETS:

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Fixed Assets in excess of \$1,000 with a useful life of more than one year are carried at cost and depreciated using the straight-line method over their estimated useful lives. The assets, estimated useful lives, cost, current year depreciation and accumulated depreciation are as follows:

Assets and Estim Useful Lives	nated	<u>Cost</u>	Current Year <u>Depreciation</u>	Accumulated <u>Depreciation</u>
2015				
Furniture and Equipment	5 yrs.	<u>\$ 149,066</u>	<u>\$ 15,035</u>	<u>\$ 122,068</u>
2014		<u>\$ 149,066</u>	<u>\$ 15,035</u>	<u>\$ 122,068</u>
Furniture and Equipment	5 yrs.	<u>\$ 145,556</u>	<u>\$ 17,141</u>	<u>\$ 107,034</u>
		<u>\$ 145,556</u>	<u>\$ 17,141</u>	<u>\$ 107,034</u>

In the case of disposals, the assets and related accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged to expense or credited to income.

As of December 31, 2015, there was no impairment of fixed assets.

## NOTES TO THE FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

#### NOTE 3 - RENT EXPENSE

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The Company leases its office under an operating lease expiring on January 31, 2018. The lease requires monthly payments of \$7,241.

Minimum future rental payments under the non-cancelable operating rental lease for the next Four years are as follows:

<u>December 31,</u>	
2016	\$ 86,892
2017	86,892
2018	7,241
	<u>\$ 181,025</u>

#### NOTE 4 -- SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 22, 2016, the date the financial statements were available to be issued.

## NOTE 5 – NET CAPITAL REQUIREMENT

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2015, the Company had net capital of \$168,063, which was \$163,063 in excess of its required net capital of \$5,000.

#### NOTE 6 – UNEARNED INCOME

As of December 31, 2015, the Company received income to be earned in 2016.