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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	February 28, 2010
Estimated average burden hours per response.....	12.00



09057413

**ANNUAL AUDITED REPORT** Mail Processing Section  
**FORM X-17A-5**  
**PART III** MAR 02 2009

SEC FILE NUMBER
8- 35724

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

REPORT FOR THE PERIOD BEGINNING 01/01/08 AND ENDING 12/31/08  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Investment Architects, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

34 Petaluma Blvd., North

(No. and Street)

Petaluma,

California

94952

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
David Haddock (707) 763-7861

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

ACQUAVELLA, CHIARELLI, SHUSTER, BERKOWER & CO., LLP

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

517 ROUTE 1 SOUTH

ISELIN

NJ

08830

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

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

**FOR OFFICIAL USE ONLY**

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

SEC 1410 (06-02)

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AB  
3/20

OATH OR AFFIRMATION

I, David Haddock, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Investment Architects, Inc., as of December 31, 20 08, 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:

[Signature]  
Signature  
President  
Title

see attached  
Notary Public

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

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

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

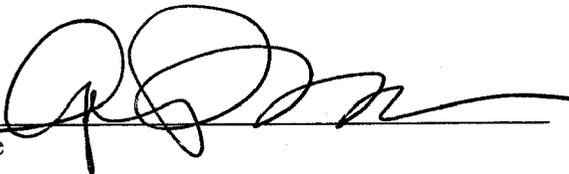
# Jurat

State of California

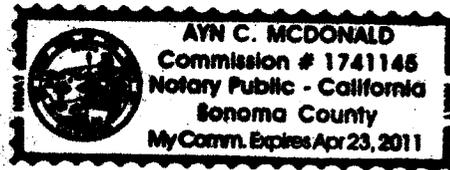
County of Sonoma

Subscribed and sworn to (or affirmed) before me on this 27<sup>th</sup> day of February,  
2009 by Ellen David Haddock

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Signature 

(Notary seal)



## OPTIONAL INFORMATION

### DESCRIPTION OF THE ATTACHED DOCUMENT

Oath of Financials

(Title or description of attached document)

n/a

(Title or description of attached document continued)

Number of Pages 1 Document Date 12/31/2008

n/a

(Additional information)

### INSTRUCTIONS FOR COMPLETING THIS FORM

The wording of all Jurats completed in California after January 1, 2008 must be in the form as set forth within this Jurat. There are no exceptions. If a Jurat to be completed does not follow this form, the notary must correct the verbiage by using a jurat stamp containing the correct wording or attaching a separate jurat form such as this one which does contain proper wording. In addition, the notary must require an oath or affirmation from the document signer regarding the truthfulness of the contents of the document. The document must be signed AFTER the oath or affirmation. If the document was previously signed, it must be re-signed in front of the notary public during the jurat process.

- State and County information must be the State and County where the document signer(s) personally appeared before the notary public.
- Date of notarization must be the date that the signer(s) personally appeared which must also be the same date the jurat process is completed.
- Print the name(s) of document signer(s) who personally appear at the time of notarization.
- Signature of the notary public must match the signature on file with the office of the county clerk.
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal if a sufficient area permits, otherwise complete a different jurat form.
  - ❖ Additional information is not required but could help to ensure this jurat is not misused or attached to a different document.
  - ❖ Indicate title or type of attached document, number of pages and date.
- Securely attach this document to the signed document

**INVESTMENT ARCHITECTS, INC.**  
**REPORT PURSUANT TO RULE 17a-5 (d)**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

# INVESTMENT ARCHITECTS, INC.

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# ACSB

Acquavella, Chiarelli, Shuster, Berkower & Co., LLP

Certified Public Accountants and Advisors

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New York, NY 10004  
212.867.1319

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
**Investment Architects, Inc.**  
Petaluma, California

We have audited the accompanying statement of financial condition of **Investment Architects, Inc.** (the "Company"), as of December 31, 2008, and the related statements of operations, changes in stockholders' equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Investment Architects, Inc.** as of December 31, 2008 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Acquavella, Chiarelli, Shuster, Berkower & Co., LLP*

Iselin, New Jersey  
February 25, 2009

# INVESTMENT ARCHITECTS, INC.

## STATEMENT OF FINANCIAL CONDITION

December 31, 2008

### ASSETS

Cash and cash equivalents	\$ 109,515
Deposits with clearing organization	27,982
Commissions receivable	104,421
Securities owned, at fair value	32,123
Property and equipment, net of accumulated depreciation of \$28,673	4,994
Prepaid expenses and other	17,955
Total assets	<u>\$ 296,990</u>

### LIABILITIES AND STOCKHOLDERS' EQUITY

#### Liabilities

Accounts payable and accrued expenses	\$ 9,833
Commissions payable	106,843
Total liabilities	<u>116,676</u>

#### Stockholders' equity

Common stock, no par value, 1,000 shares authorized, 540 issued and outstanding	7,500
Retained earnings	172,814
Total stockholders' equity	<u>180,314</u>
Total liabilities and stockholders' equity	<u>\$ 296,990</u>

See accompanying notes to financial statements.

# INVESTMENT ARCHITECTS, INC.

## STATEMENT OF OPERATIONS

Year Ended December 31, 2008

### Revenues

Commissions	\$ 2,417,733
Net loss from principal transactions	(31,389)
Other income	1,401
Total revenues	<u>2,387,745</u>

### Expenses

Commissions	2,097,665
Compensation, payroll taxes and benefits	177,607
Occupancy and equipment rental	21,620
Subscriptions	30,144
Insurance	35,452
Licences and permits	9,976
Professional fees	13,394
Office	14,113
Communications	5,919
Postage	2,305
Depreciation	1,441
Total expenses	<u>2,409,636</u>

**Net loss before income taxes** (21,891)

**Provision for income taxes** (800)

**Net loss** \$ (22,691)

See accompanying notes to financial statements.

# INVESTMENT ARCHITECTS, INC.

## STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Year Ended December 31, 2008

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>Balance, beginning of year</b>	\$ 7,500	\$ 195,505	\$ 203,005
<b>Net loss</b>	-	(22,691)	(22,691)
<b>Balance, end of year</b>	<u>\$ 7,500</u>	<u>\$ 172,814</u>	<u>\$ 180,314</u>

See accompanying notes to financial statements.

# INVESTMENT ARCHITECTS, INC.

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2008

<b>Cash flows from operating activities</b>	
Net loss	\$ (22,691)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	1,441
Increase (decrease) in cash flows as a result of changes in asset and liability account balances:	
Securities owned, at fair value	32,214
Commissions receivable	22,754
Deposits with clearing organization	(563)
Prepaid expenses and other	(17,380)
Accounts payable and accrued expenses	4,833
Commissions payable	<u>(45,510)</u>
<b>Net cash used in operating activities</b>	<u>(24,902)</u>
<b>Cash flows used in investing activities</b>	
Purchase of equipment	<u>(1,112)</u>
<b>Net decrease in cash and cash equivalents</b>	(26,014)
<b>Cash and cash equivalents at beginning of year</b>	<u>135,529</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 109,515</u>
<b>Supplemental disclosures of cash flow information</b>	
Cash paid during the year for income taxes	<u>\$ 800</u>

See accompanying notes to financial statements.

### 1. Nature of Operations and Summary of Significant Accounting Policies

#### *Nature of Operations*

Investment Architects, Inc. (the "Company"), was incorporated in the State of California on September 28, 1984. The Company is registered as a broker/dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is an independently owned full service broker dealer whose representatives come from financial planning, insurance, and wire house backgrounds. The Company assists clients in investing in mutual funds and variable annuities, and does not hold customer funds and/or securities.

The Company has an agreement with its clearing broker to clear securities transactions, carry customers accounts on a fully-disclosed basis and perform record keeping functions and accordingly, operates under the exemptive provisions of Securities and Exchange Commission Rule 15c3-3(k)(2)(ii).

#### *Summary of Significant Accounting Policies*

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

For purposes relating to the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company also includes money market accounts as cash equivalents.

The Company records commission income and related commission expenses on a trade date basis.

Securities transactions and related income and expenses are recorded on a trade date basis.

The Company values investments in securities that are freely tradable and are listed on a national securities exchange or reported on NASDAQ national market at their last sales price.

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization is provided on the straight-line basis primarily over estimated useful lives ranging from five (5) to seven (7) years.

Deferred tax assets or liabilities are established for the recognition of the future deductible or taxable amounts and operating loss and tax credit carry forwards. Deferred tax expense or benefit is recognized as a result of the changes in the assets and liabilities during the year.

### 2. Securities Owned at Fair Value

The Company maintains an investment in common stock of the NASDAQ Stock Market, Inc.

**3. Fair Value Measurements**

The Company adopted Statement of Financial Accounting Standards No. 157 ("SFAS 157"), Fair Value Measurements, on January 1, 2008. SFAS 157 requires the Company to classify its assets and liabilities based on valuation methods using three levels. Level 1 values are based on quoted prices in active markets for identical investments. Level 2 values are based on significant observable market inputs, such as quoted prices for similar investments and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Company's determination of assumptions that market participants might reasonably use in valuing the investments. The valuation levels are not necessarily an indication of risk or liquidity associated with the underlying investments.

The following table presents the Company's valuation levels of its investments in securities at fair value, as of December 31, 2008:

Assets	
Level 1 - Quoted prices	\$32,123
Level 2 - Other significant observable inputs	-
Level 3 - Significant unobservable inputs	-
Total	<u>\$32,123</u>

**4. Deposits with Clearing Organization**

The Company has a brokerage agreement with Wedbush Morgan Securities ("Clearing Broker") to carry its account and the accounts of its customers as customers of the Clearing Broker. The Clearing Broker has custody of the Company's cash balances which serve as collateral for any amounts due to the Clearing Broker as well as collateral for securities sold short or securities purchased on margin. Interest is paid monthly on these cash deposits at the average overnight repurchase rate.

**5. Income Taxes**

The income tax provision consists of the California Franchise Tax Board minimum tax of \$800. The Company has available at December 31, 2008, unused Federal-net-operating-losses, which may be applied against future taxable income or carried back to offset previous taxable income, resulting in a deferred tax asset of approximately \$4,100. The net operating loss carryforwards expire in the year 2027 and 2028.

A 100% valuation allowance has been established against this benefit since management cannot determine if it is more likely than not that the asset will be realized.

**6. Property and Equipment**

Property and equipment are recorded at cost and summarized by major classifications as follows:

Furniture and fixtures	\$ 3,014
Computer and equipment	<u>30,653</u>
	33,667
Less accumulated depreciation	<u>(28,673)</u>
	<u>\$ 4,994</u>

Depreciation expense for the year ended December 31, 2008 was \$1,441.

### **7. Occupancy**

The Company leases its facilities on a month to month basis payable at a rate of \$1,000 per month.

### **8. Concentrations of Credit Risk**

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker/dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash. The Company places its cash with high credit quality financial institutions, which at times may be in excess of the FDIC insurance limit.

### **9. Off-Balance-Sheet Risk**

Pursuant to the clearance agreement, the Company introduces all of its securities transactions to its clearing broker, on a fully disclosed basis. All of the customers' money balances and long and short security positions are carried on the books of the clearing broker. In accordance with the clearance agreement, the Company is obligated for any losses the clearing broker may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the customers' accounts introduced by the Company.

### **10. Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission 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. At December 31, 2008, the Company had net capital of \$138,278, which was \$130,499 in excess of its required net capital of \$7,779 and the Company's ratio of aggregate indebtedness to net capital was 0.84 to 1, which is less than the 15 to 1 maximum ratio allowed.

### **11. Litigation**

The Company is party to a lawsuit as a cross-defendant in connection with the sales of certain securities in the normal course of business. It is management's belief after consultation with counsel, that the ultimate resolution of this action will not have a material adverse effect on the financial position of the Company.

# INVESTMENT ARCHITECTS, INC.

## SCHEDULE 1 - COMPUTATION OF NET CAPITAL REQUIREMENTS PURSUANT TO RULE 15c3-1

December 31, 2008

### COMPUTATION OF NET CAPITAL

Total stockholders' equity		\$ 180,314
Less: Non-allowable assets		
Commissions receivable, net	\$ 6,710	
Property and equipment, net	4,994	
Prepaid expenses and other	17,955	
Total non-allowable assets		<u>29,659</u>
<b>Net capital before haircuts</b>		<u>150,655</u>
Less:		
Haircuts on securities	4,818	
Undue concentration	2,559	
Broker dealer bond	5,000	
		<u>12,377</u>
<b>Net capital</b>		<u>\$ 138,278</u>

### COMPUTATION OF NET CAPITAL REQUIREMENTS

Aggregate indebtedness, net of commissions payable for 12b-1 fees		<u>\$ 116,676</u>
Minimum net capital requirements		
6 2/3% of net aggregate indebtedness	\$ 7,779	
Minimum dollar net capital	\$ 5,000	
		<u>\$ 7,779</u>
<b>Net capital required (greater of above)</b>		<u>\$ 7,779</u>
<b>Excess net capital</b>		<u>\$ 130,499</u>
Ratio of aggregate indebtedness to net capital		<u>0.84:1</u>

The following is reconciliation between the computation of net capital presented above and the computation of net capital reported in Company's Form X-17A-5 filing as of December 31, 2008;

Net capital as reported in Company's Form X-17A-5	\$ 142,330
Adjustment for 12b-1 commissions receivable	(4,000)
Undue concentration	(52)
	<u>\$ 138,278</u>
Net capital per above	<u>\$ 138,278</u>

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### **SUPPLEMENTAL REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1)**

To the Board of Directors of  
**Investment Architects, Inc.**  
Petaluma, California

In planning and performing our audit of the financial statements and supplemental schedules of **Investment Architects, Inc.** (the "Company") as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or "aggregate debits") and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulations T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraphs. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of an internal control, and the practices and procedures are to provide management with reasonable, but not absolute assurance that assets for which the Company has responsibilities are safeguarded against loss from unauthorized use or disposition, and transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitation in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design of operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2008, to meet the Commission's objectives.

This report is intended solely for the use of management, the SEC, the Financial Industry Regulatory Authority, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Acquavella, Chiarelli, Shuster, Berkson & Co., LLP*

Iselin, New Jersey  
February 25, 2009