



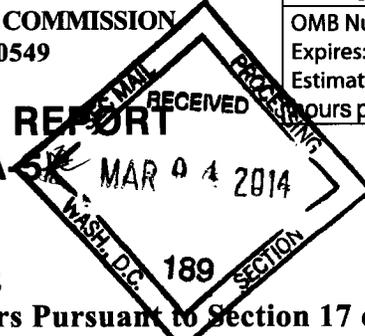
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PUBLIC

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

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ANNUAL AUDITED REPORT FORM X-17A PART III



SEC FILE NUMBER 8-53469

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FACING PAGE

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 01/01/13 AND ENDING 12/31/13 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Cherry Tree & Associates, LLC

OFFICIAL USE ONLY FIRM I.D. NO.

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

301 Carlson Parkway, Suite 103

(No. and Street)

Minnetonka

Minnesota

55305

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Jane Bortnem

(952) 893-9012

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BDO USA, LLP

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

7650 Edinborough Way, Suite 225

Edina

Minnesota

55435

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- [X] 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)

3/18/14

OATH OR AFFIRMATION

I, Gordon Stofer, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Cherry Tree & Associates, LLC, as of December 31, 2013, 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 of Jane Marie Bortnem]
Notary Public

[Signature of Gordon Stofer]
Signature
CEO
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.
(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.

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

First Class Mail

10/10/00



CHERRY TREE & ASSOCIATES, LLC

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

CHERRY TREE & ASSOCIATES, LLC

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BDO USA, LLP

Tel: 952-854-5700
Fax: 952-854-1163
www.bdo.com

7650 Edinborough Way, Suite 225
Edina, MN 55435

Independent Auditor's Report

Board of Governors
Cherry Tree & Associates, LLC
Minnetonka, Minnesota

We have audited the accompanying statement of financial condition of Cherry Tree & Associates, LLC (the Company) as of December 31, 2013 that is filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 financial statement 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 statement.

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

Opinion

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Cherry Tree & Associates, LLC as of December 31, 2013, in accordance with accounting principles generally accepted in the United States of America.



Other Matter

The 2012 financial statement of Cherry Tree & Associates, LLC was audited by other auditors, whose report dated February 26, 2013 expressed an unmodified opinion on the statement of financial condition.

BDO USA, LLP

Edina, MN
February 27, 2014

CHERRY TREE & ASSOCIATES, LLC

STATEMENTS OF FINANCIAL CONDITION

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash and equivalents	\$ 679,193	\$ 651,323
Accounts receivable, net	122,353	133,896
Prepaid expenses	34,968	6,345
Other assets - securities not readily marketable	9,838	13,214
	<hr/>	<hr/>
Total assets	<u>\$ 846,352</u>	<u>\$ 804,778</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Liabilities:		
Accounts payable	\$ 81,000	\$ 142,478
Accrued expenses	10,992	8,569
Deferred revenue	3,065	-
	<hr/>	<hr/>
Total liabilities	<u>95,057</u>	<u>151,047</u>
Members' equity:		
Common units - unlimited number of units authorized; 7,500 issued and outstanding	7,500	7,500
Additional paid in capital	222,610	222,610
Retained earnings	521,185	423,621
	<hr/>	<hr/>
Total members' equity	<u>751,295</u>	<u>653,731</u>
	<hr/>	<hr/>
Total liabilities and members' equity	<u>\$ 846,352</u>	<u>\$ 804,778</u>

See accompanying notes to financial statements.

CHERRY TREE & ASSOCIATES, LLC

NOTES TO FINANCIAL STATEMENTS **Years Ended December 31, 2013 and 2012**

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER INFORMATION

Nature of Business

Cherry Tree & Associates, LLC (the Company) was formed on July 27, 2001 as a limited liability company pursuant to the provisions of Chapter 322B of the Minnesota Statutes. The Company is a licensed broker-dealer in securities and provides investment banking services and consulting services related to general business, valuations, fairness opinions, and mergers and acquisitions. The Company is a member in good standing of the Financial Industry Regulatory Authority, Inc. (FINRA), having been accepted for membership on November 14, 2001.

The Company is a member of the Securities Investors Protection Corporation (SIPC). The Company holds no customer securities or cash.

The Company is exempt from the requirements of Rule 15c3-3 of the Securities and Exchange Commission (the Rule), based on the exemptive provisions contained in Section k(2)(i) of the Rule.

Concentrations of Risk

Cash Deposits in Excess of Federally Insured Limits

The Company maintains its cash balances in financial institutions located primarily in Minnesota. The balances held at regulated banking institutions are insured at varying amounts by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2013, the Company had uninsured cash balances totaling \$144,312. The Company has not experienced any losses to date related to these balances.

The FDIC does not insure money invested in money market funds at broker-dealers. At December 31, 2013, the Company had \$200,830 held in money market funds with Charles Schwab, all of which is covered under SIPC.

Major Customers

The Company is dependent on a small number of customers for its revenue. Three customers accounted for 49% of the Company's revenue in 2013 and for 42% of the Company's revenue in 2012. Outstanding receivables for these same customers accounted for 0% of total receivables at December 31, 2013 and 2012.

CHERRY TREE & ASSOCIATES, LLC

NOTES TO FINANCIAL STATEMENTS **Years Ended December 31, 2013 and 2012**

Use of Estimates

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

Fair Value Hierarchy

The Company follows the accounting guidance issued by the Financial Accounting Standards Board (FASB) on fair value measurements. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following financial instruments have been valued at fair value:

1) Private company investments, including common stock warrants, are carried at their fair values as determined by management in the absence of readily ascertainable market values. In valuing investments, management considers the cost of the investments, developments since acquisition, estimates as to the effect of future developments, general economic conditions and other pertinent factors. Developments since acquisition may include public offerings of securities by portfolio companies, significant transactions in the securities of portfolio companies in private markets, and transactions in the public or private markets involving securities of similar companies.

2) Public company common stock is valued based on trading market values.

CHERRY TREE & ASSOCIATES, LLC

NOTES TO FINANCIAL STATEMENTS **Years Ended December 31, 2013 and 2012**

Cash and Cash Equivalents

For purposes of balance sheet presentation and reporting of cash flows, the Company considers all unrestricted demand deposits, money market funds and highly liquid debt instruments with an original maturity of less than 90 days to be cash and cash equivalents.

Accounts Receivables

Trade accounts receivable are recorded at the invoiced amount. Accounts receivable are typically due within 30 days of the invoice date. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company reviews its allowance for doubtful accounts monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectibility. Account balances are charged off against the allowance when potential for recovery is considered remote. The allowance for doubtful accounts was \$0 and \$53,854 as of December 31, 2013 and 2012, respectively.

Revenue Recognition

The Company typically earns and recognizes monthly non-refundable retainer fees in connection with active investment banking and consulting engagements. The Company also receives success fees on its investment banking engagements. However, the success fees are only payable upon the successful closing of each transaction and thus are recognized at that time. The success fee typically consists of a cash fee equal to an agreed-upon percentage of the funds raised or percentage of transaction value for mergers or acquisitions and sometimes includes stock warrants which are recorded at fair value when received.

Income Taxes

The Company is organized and operates as a limited liability company and is not subject to U.S. federal income taxes as a separate entity. Therefore, revenues and expenses generally pass through directly to the members for inclusion in their individual tax returns. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Company accounts for income taxes pursuant to FASB guidance. This guidance prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Company believes its income tax filing positions and deductions will be sustained upon examination and, accordingly, no reserves or related accruals for interest and penalties have been recorded as of December 31, 2013 or 2012. The tax returns of the Company can be examined by relevant taxing authorities until such time as the applicable statute of limitation has expired. For example, U.S. tax returns are generally subject to audit for three years from the day they are filed.

CHERRY TREE & ASSOCIATES, LLC

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

2 INVESTMENTS – OTHER ASSETS

The following tables present the Company’s investments recorded at fair value as of December 31, 2013 and 2012 based upon the fair value hierarchy:

	2013			
	Total Fair Value of Assets	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Warrants - UnityWorks and others	\$ 8,357	\$ -	\$ -	\$ 8,357
Common Stock - ProUroCare	1,481	-	1,481	-
Total other assets	\$ 9,838	\$ -	\$ 1,481	\$ 8,357
	2012			
	Total Fair Value of Assets	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Warrants - UnityWorks and others	\$ 8,357	\$ -	\$ -	\$ 8,357
Restricted common stock - ProUroCare	4,857	-	4,857	-
Total other assets	\$ 13,214	\$ -	\$ 4,857	\$ 8,357

CHERRY TREE & ASSOCIATES, LLC

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

The following table sets forth a summary of changes in fair value of the Company's Level 3 investments during the year ended December 31, 2013:

<u>Level 3 Assets</u>	<u>Warrants</u>
Beginning balance at January 1, 2013	\$ 8,357
Total gains or losses (realized/unrealized)	-
Purchases, sales, issuances and settlements, net	-
Transfers in and/or out of Level 3	-
Ending balance at December 31, 2013	<u>\$ 8,357</u>
Net change in unrealized appreciation or (depreciation) included in change in net assets from operations relating to all investments held at December 31, 2013	<u>\$ (3,376)</u>

3 RELATED PARTY TRANSACTIONS

During 2013 and 2012, the Company recorded expenses for utilizing office space, staff and office supplies of Cherry Tree Companies, LLC (CTC), a company related through common ownership. The Company also paid CTC management fees in 2013 and 2012. Accounts payable include amounts due to CTC totaling \$9,587 and \$58,582 at December 31, 2013 and 2012, respectively.

For the years ended December 31, 2013 and 2012, the Company generated revenue from an affiliated entity. As of December 31, 2013 and 2012, there were accounts receivable due from this affiliated entity totaling \$783 and \$787, respectively.

4 NET CAPITAL REQUIREMENTS

The Company is a registered U.S. broker-dealer that is subject to the Securities and Exchange Commission (SEC) Uniform Net Capital Rule (SEC rule 15c3-1) which requires the maintenance of minimum net capital in the amount of the greater of \$5,000 or 6 2/3% of aggregate indebtedness, as defined. This rule also requires that the ratio of aggregate indebtedness to net capital, as defined, shall not exceed 15 to 1. As of December 31, 2013 and 2012, the Company's net capital was \$638,862 and \$562,987, respectively, which was \$632,525 and \$552,917, respectively, in excess of the required net capital of \$6,337 and \$10,070, respectively. The Company's net ratio of aggregate indebtedness to net capital was .15 to 1 and .3 to 1 at December 31, 2013 and 2012, respectively.

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

5 SEC RULE 15C3-3

Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission

The Company is exempt from the Reserve Requirement computation according to the provisions of Rule 15c3-3(k)(2)(i).

Information Relating to Possession or Control Requirements Under Rule 15c3-3

The Company is exempt from Rule 15c3-3 as it relates to Possession and Control requirements under the (k)(2)(i) exemptive provisions.