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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8-69806

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 01/01/2019 AND ENDING 12/31/2019
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **Menalto Advisors, LLC**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

2550 Hanover Street

(No. and Street)

Palo Alto

CA

94304

(City)

(State)

(Zip Code)

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

Kendra Borrego - (650) 453-5816

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Moss Adams, LLC

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

8750 S. Central Expressway, Suite 300 Dallas

TX

75231

(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

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*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)

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OATH OR AFFIRMATION

I, Kendra Borrego, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Menalto Advisors, LLC, as of December 31, 2019, 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

CFO

Title

Notary Public

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

- (a) Facing Page.
- (b) 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 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).



Menalto Advisors, LLC

Statement of Financial Condition

December 31, 2019

(With Report of Independent Registered Public Accounting Firm)

The report is filed in accordance with Rule 17a-5(e)(3) under the Securities Exchange Act of 1934 as a PUBLIC DOCUMENT

Menalto Advisors, LLC
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Menalto Advisors, LLC
STATEMENT OF FINANCIAL CONDITION
December 31, 2019

ASSETS

ASSETS

Cash and cash equivalents	\$	702,904
Accounts receivable		2,712
Prepaid expenses		44,857
Property and equipment, net		4,097
Security deposit		10,376
Operating lease – right of use asset		95,097

TOTAL ASSETS	\$	860,043
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LIABILITIES AND MEMBER'S EQUITY

LIABILITIES

Accounts payable	\$	151,551
Accrued compensation		419,429
Operating lease – liability		95,097

TOTAL LIABILITIES		666,077
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MEMBER'S EQUITY		193,966
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TOTAL LIABILITIES AND MEMBER'S EQUITY	\$	860,043
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The accompanying notes are an integral part of this financial statement.

Menalto Advisors, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 1 - Organization

Menalto Advisors, LLC (the "Company") is a broker-dealer registered with the United States Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company was founded in May 2016 under the laws of the State of Delaware and received its FINRA license on October 17, 2016. The Company provides investment banking and related financial advisory services to institutional clients. It operates out of one office in Palo Alto, California.

The Company is wholly owned by Menalto Group, LLC (the "Parent"), a holding company located in Palo Alto, CA.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statement is presented in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Contract Balances

The Company's timing of revenue recognition may differ from the timing of customer payments. When there is an unconditional right to payment, according to the terms of the contract, the Company records a receivable. For receivables with unsatisfied performance obligations, the Company records deferred revenue until the performance obligations are satisfied. Receivables with no outstanding performance obligations, are recognized as revenue upon issuance of the related invoice.

The Company had receivables related to contracts from customers of \$29,534 and \$2,712 at December 31, 2018 and of December 31, 2019, respectively.

The Company had no deferred revenue related to unrecognized engagement fees where the performance obligations have not yet been satisfied at December 31, 2018 and December 31, 2019, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the initial twenty-four (24) months of the lease term.

Computer Equipment	3 years
Leasehold improvements	2 years

Leases

On October 1, 2016, The Company entered into one operating lease relating to our main office which expires on December 31, 2020. According to the terms of the lease agreement, space was offered on an “as-is” basis with no option to renew or extend beyond the end of the lease term.

On January 1, 2019, The Company adopted ASC Topic 842, *Leases* and has applied the effective date option and recognized a cumulative effect adjustment of \$308,278 in the period of adoption. There was no impact to opening retained earnings. We determine if an arrangement is a lease at inception. The operating lease right of use asset (“ROU”) and the corresponding lease liability are reported separately on the Statement of Financial Condition.

The ROU asset represents our right to use the underlying asset for the lease term and the lease liability represents our obligation to make lease payments arising from the lease. Any future operating lease ROU assets and liabilities will be recognized at commencement date based on the present value of lease payments over the lease term. Our operating lease did not provide an implicit rate, we used our annual incremental borrowing rate of 5.27% at January 1, 2019, based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The operating lease ROU asset also includes any lease payments made and excludes lease incentives.

On August 1, 2019, the parties to the lease agreed to reduce the fixed rental payments from \$15,000 per month to \$10,000 per month until the end of the lease term. There are no additional variable or fixed payments due under the lease agreement. As a result of the modification, the lease liability was remeasured and a corresponding ROU Asset adjustment of \$78,342 was recorded using our annual incremental borrowing rate of 6.75% at August 1, 2019.

	<u>Lease Commitment</u>	<u>Present Value Discount</u>	<u>Operating Lease Liability & ROU Asset</u>
Initial Application, 1/1/19	\$360,000	(\$51,722)	\$308,278
Lease modification	(\$85,000)	\$6,658	(\$78,342)
Rent Expense & ROU Amortization	(\$155,000)	\$20,161	(\$134,839)
Ending Balance, 12/31/2019	<u>\$120,000</u>	<u>(\$24,903)</u>	<u>\$95,097</u>

Income Taxes

The Company consolidates its taxable income with its Parent, which files a partnership return for federal, state and city purposes. As a result, no federal or state income taxes are provided as they are the responsibility of the individual members.

Use of Estimates

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Concentrations

The Company maintains cash balances in one financial institution, which are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 per institution. From time to time, the Company's balances may exceed these limits.

Two (2) clients represented all of the Company's fees receivable at December 31, 2019.

Note 4 - Net Capital Requirements

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1) which requires the maintenance of a minimum net capital, as defined, of the greater of \$5,000 or 6.67% of aggregate indebtedness, as defined.

At December 31, 2019, the Company had net capital of \$131,924, for regulatory purposes, which exceeded its requirement by \$93,859. Additionally, the Company must maintain a ratio of aggregate indebtedness to net capital of 1500% or less. At December 31, 2019, this ratio was 432.8%.

The Company is exempt from the provisions of Rule 15c3-3 of the SEC since the Company's activities are limited to those set forth in the conditions for exemption pursuant to subsection k(2)(i) of the Rule.

Capital distributions to the Parent shall be done as and when unanimously determined by the managers of the Company, provided that after such distribution the Company must have adequate capital to conduct its business plans in compliance with regulatory requirements.

Note 5 - Property and Equipment, Net

Property and equipment, net at December 31, 2019 are summarized as follows:

Computer Equipment	\$	46,692
Leasehold improvements		4,763
Property and equipment, gross		<u>51,455</u>
Less: Accumulated depreciation and amortization		47,358
Property and equipment, net	\$	<u>4,097</u>

Depreciation and amortization expense, for the year ending December 31, 2018 was \$13,068.



MOSSADAMS

Report of Independent Registered Public Accounting Firm

To the Member
Menalto Advisors, LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Menalto Advisors, LLC (the Company) as of December 31, 2019 that is filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes (the financial statement). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2019 the Company changed its method of accounting for leases due to the adoption of Accounting Standards Codification Topic No. 842.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is 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 statement, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. 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 statement. We believe that our audit provides a reasonable basis for our opinion.

Moss Adams LLP

Dallas, Texas
February 21, 2020

We have served as the Company's auditor since 2016.