

**Part 2A of Form ADV: Firm Brochure**

Item 1 Cover Page

**ALESCO ADVISORS LLC**

**120 Office Park Way**

**Pittsford, NY 14534**

**Phone: (585) 586-0970**

**Toll Free: (800) 277-3440**

**Email: [info@alescoadvisors.com](mailto:info@alescoadvisors.com)**

**Website: [www.alescoadvisors.com](http://www.alescoadvisors.com)**

***Date of Filing: 03/29/2012***

**This brochure provides information about the qualifications and business practices of Alesco Advisors LLC (heretofore referred to as “Alesco”). If you have any questions about the contents of this brochure, please contact us at (585) 586-0970. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Alesco also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2 Material Changes

Since Alesco's previous annual Brochure filing on March 29, 2011, there is only one material change that has been made to this document. This change has been made in Items 4, 5, and 7.

Alesco recently entered into a "model program" (also known as an overlay program) arrangement with RBC Wealth Management. Under this program, Alesco provides RBC with an asset allocation for a model portfolio and provides updates of the model portfolio on a regular basis. RBC has investment discretion to accept, reject, or modify Alesco's trade recommendations and apply them to their clients' accounts. As a result, Alesco does not classify these accounts as discretionary assets under management. RBC is solely responsible to execute transactions and for providing best execution for such trades. RBC receives payment directly from the client, and compensates Alesco a percentage of the fee received.

Since last year's annual updating amendment, there are no other material changes on this document to report.

### Item 3 Table of Contents

Item 1 - Cover Page .....	1
Item 2 - Material Changes .....	2
Item 3 - Table of Contents .....	3
Item 4 - Advisory Business .....	4
Item 5 - Fees and Compensation .....	6
Item 6 - Performance Based Fees .....	7
Item 7 - Types of Clients .....	8
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9 - Disciplinary Information .....	10
Item 10 - Other Financial Industry Activities and Affiliations .....	11
Item 11 - Code of Ethics .....	12
Item 12 - Brokerage Practices .....	13
Item 13 - Review of Accounts .....	14
Item 14 - Client Referrals and Other Compensation .....	15
Item 15 - Custody .....	16
Item 16 - Investment Discretion .....	17
Item 17 - Voting Client Securities .....	18
Item 18 - Financial Information .....	19

#### Item 4 Advisory Business

Alesco is a limited liability corporation, with an office located in Pittsford, New York. Alesco was founded in 2000 by James G. Gould, who maintains primary ownership and is also the president. See Alesco's ADV Part I for a more in-depth list of individuals with a material ownership interest.

Alesco provides investment management services primarily to institutions (such as foundations, endowments, for-profit organizations, retirement plans, trusts, and estates) and high net worth individuals. In the case of individuals, limited financial, tax, estate and insurance planning are provided to the extent agreed upon by the individuals and Alesco. The planning aspects are conducted in conjunction with the client's other advisors.

Of the clients that Alesco currently services, most clients grant day-to-day management authority to Alesco. This is accomplished through a pre-arranged investment management agreement or with an investment policy statement. Prior to managing client assets, an asset allocation plan is discussed with each client. Other information, such as client investment restrictions, fees (see Item 5), and the client's tax situation, is gathered by Alesco prior to trading the account. Alesco will then make investments for the client with a view to achieving the client's financial goals.

In certain instances, Alesco is hired by a client to perform various consultative services. The extent of these services is pre-determined by Alesco and the client prior to entering into an agreement. Some examples of these services would include, but are not limited to, consolidated reporting, asset allocation recommendations, recommendations on securities held, and retirement plan advisory services (including employee education and security recommendations). In these instances, Alesco may not have discretionary investment authority – it will only make recommendations. Alesco may also act as a subadvisor for clients' accounts. For example, Alesco may share investment advisory responsibilities with another advisor or third-party (such as a retirement plan administrator).

In 2009, Alesco entered into four "wrap" programs. These are programs that combine several services (such as investment management, asset custody, and brokerage commissions) together for a single predetermined "wrap" (or bundled) fee. Generally, clients participating in a wrap fee program pay this single, all-inclusive fee quarterly (or at some other pre-arranged interval) in advance to the program sponsor, based on the net assets under management and any additional investment-related services provided. Alesco receives from the sponsor a portion of the wrap fee for the portfolio management services it provides, that may be less or more than the fees received from direct clients of similar size and mandate. Each program sponsor has prepared a brochure which contains detailed information about its wrap fee program, including the wrap fee charged. Copies of each brochure are available from the program sponsor upon request. The wrap program sponsor has retained Alesco through a separate investment advisory contract. Wrap program clients should note that Alesco will execute transactions for their accounts through the wrap sponsor. Execution prices through a wrap sponsor may be less favorable in some respects than Alesco's clients whose trades are not executed through the wrap sponsor. This is because Alesco may not have the ability to negotiate price or take advantage of combined orders or volume discounts. Wrap program sponsors may limit (or altogether prohibit) Alesco's ability to purchase certain mutual funds that would typically be held in a standard Alesco-managed account. In these instances, a comparable exchange traded fund is used as an alternative. This could have a small effect on the overall performance of the account when compared with non-wrap program accounts.

Alesco participates as an investment manager with discretionary trading authority in the following wrap programs (program sponsors are listed parenthetically):

- Vista Manager Direct Solutions (UVEST Financial Services Group Inc.)
- LPL Financial Manager Access Select Program (LPL Financial Corporation)
- LPL Financial Manager Select (LPL Financial Corporation)
- UBS Financial Services (UBS Financial Services Group): *Please note Alesco only participates in this program at the "regional" level and is not on the national platform.*

Separately, in 2011 Alesco recently entered into a "model program" (also known as an overlay program) arrangement with RBC Wealth Management. Under this program, Alesco provides RBC (known as the program sponsor) with an asset allocation for a model portfolio and provides updates of the model portfolio on a regular basis. RBC has investment discretion to accept, reject, or modify Alesco's trade recommendations and apply them

to their clients' accounts. As a result, Alesco does not classify these accounts as discretionary assets under management. RBC is solely responsible to execute transactions and for providing best execution for such trades. RBC receives payment directly from the client, and compensates Alesco a percentage of the fee received. The program is formally referred to as the Consulting Solutions Program.

Alesco's current regulatory Assets Under Management (as stated in its Part 1 of Form ADV) is \$1,439,280,641 as of March 26, 2012. In addition to Alesco's Assets Under Management, Alesco provides consulting services, where Alesco does not have discretionary (or non-discretionary) trading authority, but provides advice on investment policy, security selection, investment manager analysis, and/or consolidated reporting. As of March 26, 2012, the total of these assets equals \$159,893,401.

## Item 5 Fees and Compensation

In most cases, client advisory fees are based on assets under management (in certain instances, Alesco will negotiate a fixed fee amount with the client, but these instances are generally rare). Alesco's tiered fee schedule for managed accounts is provided below:

- .60% annually for amounts between \$0-\$1,000,000
- .40% annually for amounts between \$1,000,000-\$10,000,000
- .35% annually for amounts between \$10,000,000-\$50,000,000
- .30% annually for amounts above \$50,000,000

Generally, fees are billed semi-annually in advance for a six-month period. Should an account terminate, a prorated rebate will be issued to the client for unearned fees. If the client terminates the Investment Management Agreement within the first five days after both parties have signed, he or she may do so without advance notice and any prepaid fees will be returned in their entirety. Although the fee schedule displayed above represents the standard management fees charged by Alesco, fees may be negotiable. This is determined on a case-by-case basis, and any variation from the above fee schedule must be approved by a senior manager at Alesco.

As discussed in Item 4, Alesco participates as an investment manager in four wrap programs and one model (overlay) program. Though a client participating in these programs does not pay Alesco directly, a portion of the fee that they pay to the program sponsor is paid to Alesco in accordance to an agreement that Alesco has with each of the program sponsors. The total wrap fee is greater than the fee charged directly to clients of Alesco that do not participate in these programs. However, the minimum account size accepted by Alesco is lower for clients in wrap programs. There are additional services provided by the wrap program sponsor that could also increase the overall wrap fee. Alesco does not have any control over the fee charged to the individual wrap program client.

Alesco furnishes investment consultative services (for a full description of these services, see paragraph four of Item 4 in this document). Fees for consulting services are negotiated on an individual client basis taking into account the nature and amount of services and size of the account.

Typically, fees are deducted directly from a client's account. A client receives a notice of the management fee (usually mailed), which discloses the amount of fees deducted from the account. A client also receives a statement from their independent custodian, which would reveal this amount after it is deducted. As an alternative, the client has the option to be invoiced for management fees, rather than having the fee deducted directly from the account.

Brokerage commissions and miscellaneous brokerage fees (such as wiring fees or asset transfer fees) may also be incurred. When Alesco has the authority to select a broker-dealer custodian, minimizing these costs is taken into consideration during the selection process. These fees would be disclosed on a custodian statement and are also available from Alesco upon request. Separately, mutual fund and exchange traded fund expenses would affect the performance of an individual security held in a client's portfolio. These expenses would be embedded in the unit price of a security and would not be listed on a client's custodial statement. The expense ratio (the percentage of fees charged annually on an individual security) is available in the fund's prospectus (also, Alesco can provide this information to the client upon request). Alesco does not recommend the use of "load funds."

Alesco does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. Alesco may choose brokers or dealers to compensate them for client referrals. This only occurs when Alesco reasonably believes that the broker or dealer will provide a combination of price, execution, and other services at least equal to other brokers or dealers it would ordinarily select.

Item 6      *Performance-Based Fees and Side-By-Side Management*

Alesco does not charge performance-based fees. Typically, Alesco charges an asset-based fee, which is based on a percentage of assets managed. For a full discussion of Alesco's fee arrangements, please see Item 5 in this document.

Item 7      Types of *Clients*

Alesco has a stated account minimum of \$3 million (for the purposes of this minimum, an account may be defined as a “client relationship,” which could consist of multiple accounts). In many instances, this minimum account size has been relaxed to accommodate smaller relationships that Alesco feels may have the potential to achieve this minimum value. As stated in Item 5, clients participating in a wrap program or a model program have a minimum account size far less than the \$3 million minimum. Alesco negotiates this minimum size with the wrap program sponsors. For greater detail on this, see Item 5.

For a more complete discussion regarding the different types of clients to whom Alesco generally provides investment advice, see Item 4 in this document.



Item 8      Methods of Analysis, Investment Strategies and Risk of Loss

Alesco invests its clients' assets in accordance with each client's needs. Alesco considers the investment time horizon of the client, the client's ability to assume risk, the client's need for income, the taxable nature of the client's assets, and other factors to assist the client in formulating an asset allocation strategy. The implementation of the asset allocation involves buying and selling investment securities. This involves risk of loss that the client should be prepared to bear.

The specific selection of investments is based on internal analysis of competing investment products. Alesco utilizes fundamental analysis and asset allocation theories, including quantitative modeling to formulate investment decisions.

Though Alesco may invest in a multitude of securities, index and index-based mutual funds and exchange traded funds (ETFs) are the most commonly recommended types of securities for accounts where Alesco serves as the discretionary investment manager. These types of securities seek investment results that correspond generally to the price and yield performance, before fees and expenses of a specific index. As with any equity and fixed income security, investment return and principal value of an investment will fluctuate so that a client's shares, when sold or redeemed, may be worth more or less than the original cost.

The primary risk associated with portfolios managed by Alesco is market risk. This is the risk that the overall market declines. This includes the equity market, the bond market, and the markets for other asset classes which may be used in a client's portfolio.

A risk specifically associated with index mutual funds and ETFs is tracking error. Tracking error occurs when an index mutual fund or ETF does not match the corresponding index return. This may be the result of the expense ratio charged on the index mutual fund or ETF (see Item 5 for a discussion on fund expense ratios), or numerous other factors. Alesco closely monitors each recommended mutual fund and ETF for tracking error and may choose to replace the security with a similar fund with lower tracking error.

Individual ETFs and index funds are unable to significantly outperform the target index. By their very nature, it should not be the goal of the ETF or index fund manager to beat the index, but rather to replicate the index return. Alesco aims to optimize the client portfolio's overall risk-adjusted return via diversified investment exposure across multiple assets classes.

Item 9      Disciplinary Information

Alesco has no legal or disciplinary events that are material to a client's or prospect's evaluation of the advisory business or the integrity of management.

This would include:

- Criminal or civil action in a domestic, foreign or military court of competent jurisdiction
- An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority
- A self-regulatory agency (SRO) proceeding

Item 10 Other Financial Industry Activities and Affiliations

Alesco is an independent and employee-owned firm, without material industry affiliations. There are no reportable related persons. The firm and its employees are not registered, nor do they have applications pending to register, as the following: (1) a broker-dealer (or a registered representative of a broker-dealer), (2) a futures commission merchant, (3) a commodity pool operator, and (4) a commodity trading advisor.

Alesco does not receive compensation from other advisors. Alesco may choose brokers or dealers to compensate them for client referrals. This only occurs when Alesco reasonably believes that the broker or dealer will provide a combination of price, execution, and other services at least equal to other brokers or dealers it would ordinarily select. Similarly, a third-party service provider (such as a retirement plan administrator), may share several clients based on referrals from both parties to one another (Alesco and the third-party provider).

Item 11 Code of Ethics, Participation or Interest in *Client* Transactions and Personal Trading

Alesco maintains a Code of Ethics, which, among other topics, addresses employee trading activities in their personal accounts (the Code of Ethics, along with the Alesco Operational Guide and Alesco Memoranda are collectively referred to as the Code of Ethics for purposes of this document). Employees are prohibited from engaging in transactions which may put their interests ahead of client interests. Supervision of transactions is accomplished through required quarterly personal transaction reports and annual securities holdings reports.

The Code requires all employees to comply with applicable securities laws, to report violations of the Code or such laws to the Alesco's Chief Compliance Officer, to obtain consent to trade or recommend certain securities (such as certain securities held in client accounts) for their own accounts, and to abstain from trading for their own accounts or recommending any securities placed on Alesco's Prohibited List (such as securities of issuers where an Alesco employee or client is an insider or has material non-public information about such issuers). Securities also include options on securities. In addition, there are restrictions on the value of gifts that an employee may accept from a client, person, or firm doing business with Alesco. There are also restrictions related to employee negotiation of personal account brokerage fees with brokers doing business with Alesco. An employee may not for his or her own account sell securities to or purchase securities from a client nor may the employee without prior written consent of the Chief Compliance Officer, serve as a director, general partner, or trustee of a public corporation or partnership.

Alesco does not recommend to clients securities in which Alesco has a material financial interest.

Employees are allowed to purchase securities that are recommended to clients. Although most of Alesco's recommended securities would be classified as non-reportable (securities, such as open-end mutual funds, that would not need to be reported under SEC rule 204A-1(e)(10)), the Code of Ethics establishes the proper procedures for pre-clearing trades through the firm's compliance officer and/or portfolio management staff. This pre-clearance requirement would help to ensure that the employee is not front-running a client order in a particular security (which is a risk for any investment firm dealing with reportable securities not excluded from the aforementioned SEC rule).

A complete copy of the Code of Ethics may be obtained free of charge upon request to Alesco.

Item 12      Brokerage Practices

Alesco does not obtain any soft dollar benefits from any of its broker-dealer custodians. A “soft dollar” arrangement refers to an established agreement between an investment manager and a broker-dealer that would encourage a manager to place a trade with a particular broker-dealer in exchange for services that are for the benefit of the investment manager’s clients. Although this is a common industry practice, Alesco does not participate in this type of arrangement.

Most of the broker-dealer custodians that Alesco recommends to clients provide research materials upon request (or they allow Alesco access to their database of education or research-related materials, often provided to all advisors who do some form of business with the custodian). As stated above, Alesco is under no formal agreement to direct business with these broker-dealer custodians and the availability of such materials has minimal influence on the recommendation Alesco provides to clients regarding custodial selection.

Alesco may choose brokers or dealers to compensate them for client referrals. This only occurs when Alesco reasonably believes that the broker or dealer will provide a combination of price, execution, and other services at least equal to other brokers or dealers it would ordinarily select. This is discussed in greater detail in Item 5 of this document.

For various reasons, clients sometimes direct Alesco to work with a particular broker-dealer of their (the client’s) choosing. In these instances, Alesco’s ability to negotiate commissions may be affected and Alesco may be unable to obtain the best price and execution for the client’s account. This may result in the client paying higher commissions than would be available from other brokers. It may also result in restrictions upon the securities available for purchase or sale for the client’s account, such as (1) the purchase of bonds where the designated broker may have a limited inventory and, therefore, may be unable to offer the desired bonds to the client, or (2) the purchase or sale of certain mutual funds which may not be custodied with all brokers. The inability to purchase or sell such securities may affect the overall portfolio return.

Alesco will sometimes aggregate multiple client trades as one order to obtain the same price execution. This typically occurs only when the firm makes a firmwide trade. Orders for each security purchase and/or sale are often blocked for accounts by custodian, and a new policy has recently been created that establishes the order of placement by each custodian. Outside of a firmwide trade, Alesco generally places trades on an individual client basis.

Item 13      Review of Accounts

Reviews range from one to four or more times per year. The frequency of reviews depends in part upon events impacting the client or assets of the client, as well as the schedule of the client. Events that can trigger a review include changes in the conditions of the securities markets, a change in the financial status or goal of the client (including cash inflows or outflows), or a change in the marital or other status of the client (or in that of any related person). Reviews are generally conducted in person by one or more representatives of Alesco, such as the President, a Principal, and/or the Chief Investment Officer. Written reviews are typically provided. When the client cannot formally meet with one of the aforementioned Alesco representatives, they may request a written review.

Item 14      *Client Referrals and Other Compensation*

Alesco does not receive an economic benefit for providing investment advice or other advisory services to its clients from someone who is not a client.

Alesco does not have any active solicitation agreements, which would compensate an outside individual that is not an employee for client referrals.

Item 5 and Item 10 in this document provide greater detail on Alesco's compensation and client referrals practices.

Item 15      *Custody*

Alesco has the ability to deduct fees from client accounts and therefore, by definition, has custody of client assets. Aside from this, Alesco utilizes the services of several qualified broker-dealer custodians to place trades on client accounts and physically custody client assets. These custodians provide account statements at least quarterly (and, in most cases, statements are issued monthly). Clients should carefully review those statements. Alesco does not formally issue statements, however, clients are encouraged to compare Alesco-prepared performance review material and billing statements with the figures provided by their independent custodian.



Item 16      Investment Discretion

Alesco accepts discretionary authority to manage securities accounts on behalf of clients. Alesco accommodates restrictions and limitations clients place on this authority. In instances where Alesco is awarded discretionary authority by the client, an investment management agreement is established between both parties (Alesco and the client) that, among other items, establish a limited power of attorney. Separately, a limited power of attorney is often required by the client's independent custodian. This requires the client to allow Alesco access to trade the account and perform other basic administrative services.

Item 17      Voting *Client* Securities

Alesco has adopted a policy concerning the voting of proxies on securities held by it for clients (which covers proxies on all securities held by Alesco for clients except those as to which a client has specifically retained voting authority), as well as the resolution of any conflicts between Alesco and such clients concerning voting. This policy will be furnished, upon request, without charge to any client and, otherwise, as required by law.

The policy provides, among other things, that any proxies for exchange-traded funds are voted by Alesco since Alesco conducts research on these securities. However, Alesco does not conduct research on individual stocks in clients' accounts since these are often held at the direction of the client. Thus, in the case of individual stocks, Alesco abstains from voting unless on the face of it, a proposition is so egregious that action is mandated.

The policy also requires that any material conflict between Alesco (and any of its personnel) and a client relating to the voting of a proxy be resolved with the client's consent after disclosure or resolved completely in the client's favor. For purposes of an ERISA-based retirement plan, Alesco votes proxies for the sole benefit of the plan participants.

Records of voting are retained and any client may receive, upon written request and free of a charge, a summary of how Alesco voted any securities held in the client's account.

Item 18 Financial Information

Since Alesco requires a prepayment of more than \$1,200 in fees per client, six months or more in advance, a balance sheet from the most recent fiscal year is included with this document.

There is no known financial condition that is reasonably likely to impair Alesco's ability to meet contractual commitments to clients.

Alesco has not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19      Requirements for State-Registered Advisers

Alesco is a federally registered investment adviser with the Securities and Exchange Commission, and is not registered with one or more state securities authorities. Since there are several states where Alesco has more than five clients, a “notice filing” has been provided to these states, which provides each state the requisite filing fee and an offer to review Alesco’s Form ADV.

**ALESCO ADVISORS LLC**

**Balance Sheets  
as of December 31, 2011 and 2010  
Together with  
Independent Auditors' Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

January 27, 2012

To the Board of Members of  
Alesco Advisors LLC:

We have audited the accompanying balance sheets of Alesco Advisors LLC (a New York limited liability company) as of December 31, 2011 and 2010. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the balance sheets referred to above present fairly, in all material respects, the financial position of Alesco Advisors LLC as of December 31, 2011 and 2010, in conformity with accounting principles generally accepted in the United States.

*Bonadio & Co., LLP*

171 Sully's Trail, Suite 201  
Pittsford, New York 14534  
p (585) 381-1000  
f (585) 381-3131

ROCHESTER • BUFFALO  
ALBANY • SYRACUSE  
NYC • PERRY • GENEVA

# ALESCO ADVISORS LLC

## BALANCE SHEETS DECEMBER 31, 2011 AND 2010

---

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 468,290	\$ 322,926
Cash and equivalents - escrow	621,578	566,303
Management fees receivable	<u>88,147</u>	<u>90,919</u>
Total current assets	1,178,015	980,148
FURNITURE AND EQUIPMENT, net	19,610	27,993
OTHER	<u>20,000</u>	<u>20,000</u>
	<u>\$ 1,217,625</u>	<u>\$ 1,028,141</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
CURRENT LIABILITIES:		
Current portion of notes payable	\$ -	\$ 83,685
Accounts payable and accrued expenses	79,231	60,764
Unearned management fees	<u>717,099</u>	<u>617,000</u>
Total liabilities	<u>796,330</u>	<u>761,449</u>
MEMBERS' EQUITY:		
Members' equity	471,188	327,166
Membership subscription note receivable	<u>(49,893)</u>	<u>(60,474)</u>
Total members' equity	<u>421,295</u>	<u>266,692</u>
	<u>\$ 1,217,625</u>	<u>\$ 1,028,141</u>

The accompanying notes are an integral part of these balance sheets.

# ALESCO ADVISORS LLC

## NOTES TO BALANCE SHEETS DECEMBER 31, 2011 AND 2010

---

### 1. THE COMPANY

Alesco Advisors LLC (the Company) is a New York limited liability company and an investment advisor registered with the Securities and Exchange Commission under provisions of the Investment Advisors Act of 1940. Assets under advisement totaled approximately \$1.45 billion and \$1.4 billion at December 31, 2011 and 2010, respectively (unaudited). Two clients made up approximately 17% and 18% of assets under advisement at December 31, 2011 and 2010, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The balance sheets were prepared in conformity with accounting principles generally accepted in the United States.

#### **Cash**

The Company maintains cash in bank accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash.

#### **Cash and Equivalents - Escrow**

The Company generally bills its management fees six months in advance and places amounts received in a savings account at a bank. Escrow cash generally represents fees collected that have not yet been earned. The balance in these accounts may, at times, exceed federally insured limits. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash and equivalents held in escrow.

#### **Management Fees Receivable**

Management fees receivable represents fees billed to clients but not yet collected. If necessary, the Company maintains an allowance for doubtful accounts for estimated losses resulting from non-payment of management fees. Accounts for which no payments have been received for several months are considered delinquent and customary collection efforts are begun. Accounts are written off after all reasonable collection efforts have been exhausted. Based on the Company's specific review of outstanding account balances, no allowance for doubtful accounts was deemed necessary at December 31, 2011 and 2010.

#### **Furniture and Equipment**

Furniture and equipment is stated at cost. Depreciation is provided using accelerated methods over the estimated useful lives of the assets, which range from three to seven years.

#### **Unearned Management Fees**

Revenue is recognized as services are provided to clients. The Company generally bills its management fees six months in advance based on the market value of the client's account at the beginning of the billing period. Amounts billed in advance are recorded as unearned management fees in the accompanying balance sheets and are recognized as income ratably over the service period.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Membership Subscription Note Receivable

In 2008, the Company accepted a note receivable from a member in exchange for that member's initial capital contribution. The member is required to pay at least \$10,000 in principal per year, plus interest at 4% per annum.

### Member Purchase Plan

The Company has a compensatory employee share purchase plan. Under the plan, eligible employees may purchase membership interests in the Company. The purchase price is determined based on a formula. During the years ended December 31, 2011 and 2010, 1,474 and 4,064 units were purchased for \$39,002 and \$83,109, respectively.

### Income Taxes

The Company is a limited liability company treated as a partnership for federal and state income tax purposes and, as such, the income or loss of the Company is reported in the personal income tax returns of the Company's members. Accordingly, there is no accrual for income taxes reflected in the accompanying balance sheets.

As of December 31, 2011 and 2010, the Company does not have a liability for unrecognized tax benefits. The Company files income tax returns in the U.S. federal jurisdiction and New York State. The tax years that remain subject to examination by taxing authorities are generally the previous three years.

### Estimates

The preparation of balance sheets in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the balance sheets and accompanying notes. Actual results could differ from those estimates.

## 3. FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Furniture and fixtures	\$ 158,086	\$ 158,086
Equipment	109,338	109,338
Computer software	<u>41,173</u>	<u>41,173</u>
	308,597	308,597
Less: Accumulated depreciation	<u>(288,987)</u>	<u>(280,604)</u>
	<u>\$ 19,610</u>	<u>\$ 27,993</u>

#### 4. NOTES PAYABLE

Notes payable consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Term note payable to a former member requiring annual payments of at least \$83,685, plus interest at 4% per annum. This remaining balance of this note was paid in full during January 2011.	\$ <u>-</u>	\$ <u>\$83,685</u>
	-	83,685
Less: Current portion	<u>-</u>	<u>(83,685)</u>
	<u>\$ -</u>	<u>\$ -</u>

#### 5. COMMITMENTS

The Company leases office space under the terms of a non-cancelable lease agreement through March 2018. Under the terms of the lease agreement, the Company is responsible for base rent payments plus building expenses. Future minimum base rent payments are as follows for the years ending December 31:

2012	\$ 136,000
2013	136,000
2014	136,000
2015	136,000
2016	136,000
Thereafter	<u>169,999</u>
	<u>\$ 849,999</u>

#### 6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 27, 2012, the date at which the financial statements were available to be issued.