

# CAUSEY DEMGEN & MOORE P.C.

Certified Public Accountants & Consultants

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**IARD Number: 111115**

## Form ADV: Part 2A Firm Brochure

*This brochure provides information about the qualifications and business practices of Causey Demgen & Moore P.C. If you have any questions about the contents of this brochure, please contact our office at (303) 296-2229 and/or [info@causeycpas.com](mailto:info@causeycpas.com). 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 Causey Demgen & Moore P.C. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Causey Demgen & Moore P.C. is a Registered Investment Advisor. Registration does not imply a certain level of skill or training.*

Date of Brochure: June 30, 2017

## ITEM 2 MATERIAL CHANGES

On July 28, 2010, the Securities and Exchange Commission (SEC) adopted amendments to Part 2 of Form ADV. These amendments and related rules require Investment Advisers to provide a Firm Brochure (Disclosure Document) in a narrative format.

This brochure is dated June 30, 2017.

The “Material Changes” section is used to provide our clients with a summary of any new and/or updated information which is *materially* different from prior filings.

### **Material Changes – June 30, 2017**

None.

Our Firm Brochure is required to be updated no less than once annually within 90 days following the end of our fiscal year which ends on June 30<sup>th</sup>. Clients will be given a summary of any material changes within 120 days of that date.

If at any time a client would like to receive a complete copy of our current Firm Brochure, please contact our office by telephone at (303) 296-2229 or by email: [info@causeycpas.com](mailto:info@causeycpas.com).

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## ITEM 4      **ADVISORY BUSINESS**

Causey Demgen & Moore P.C. is registered with the United States Securities and Exchange Commission (SEC) as a Registered Investment Advisor. **(Note that such registration does not imply a certain level of skill or training.)** Further, Causey Demgen & Moore P.C. is a member of the Financial Planning Division of the American Institute of Certified Public Accountants and a member of the Financial Planning Association.

Our Colorado-based firm was founded in 1981, and is a privately held company owned by its shareholders, all of whom are current employees of the firm, and none of whom individually owns more than 25% of the company.

Our company has multiple, distinct lines of business:

- Financial Planning & Investment Advisory Services
- Litigation Support & Business Valuation
- Management Consulting Services
- Tax Preparation & Consultation
- Audit & Attestation

**This form ADV Part 2A speaks specifically to our Investment Advisory activities, and will address any conflicts between these activities and our other businesses.**

Our financial planning and investment advisory practice focuses on working with individuals, trusts, estates, corporations and other business entities, as well as pension and profit sharing plans towards achieving their long-term financial planning and investment goals. Our financial planning and investment management process has four distinct steps (all or some of which may be followed):

- 1) We and our client construct a comprehensive financial plan which we may refer to as a Capital Sufficiency Analysis or a Financial Plan. The result of the financial plan guides the rate of return that will be targeted in hopes of achieving the client's long-term growth objectives and income needs. The targeted rate of return considers the long-term impact of inflation on the client's objectives. We refer to this adjusted return as the real rate of return.
- 2) An Investment Plan is developed that integrates the client's risk tolerance and investment constraints (such as need for current income) to the targeted real rate of return. A unique and customized strategy that is believed to have a high likelihood of success in achieving the client's individualized goals is then presented to the client.
- 3) We utilize a highly diversified investment strategy, where we target a long-term Strategic Asset Allocation and use short-term tactical changes to the asset allocation (based on a three-to-five year outlook) to capitalize on near-term market opportunities.
- 4) Ongoing investment management requires that we correspond with our clients on a regular basis to review and gauge performance relative to the agreed upon targeted real rate of return, as well as to discuss changing goals, objectives, and income needs.

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We believe that this process provides the foundation for the targeted investment strategy that is developed for each individual client. We believe that financial planning and investment advisory services require close and regular contact with our clients to assess their changing needs and to develop strategies for reaching both their short-term and long-term goals. In some cases, a client may choose not to incorporate all of the steps of the financial planning process described herein.

In employing our investment strategy, we utilize mutual funds, exchange-traded funds, individual stocks, fixed income (bond) investments, and cash or cash equivalents in our portfolios. At times we consult with our clients on assets that they may bring to our management which are outside of those typically used in our strategy. Causey Demgen & Moore P.C. tailors its advisory services to the individual needs of our clients. Clients can impose restrictions on investment in certain securities or certain types of securities. This is discussed in further detail in Item 8 (*Methods of Analysis, Investment Strategies and Risk of Loss*).

As of June 30, 2017, Causey Demgen & Moore P.C. managed approximately \$191,706,968 on a discretionary basis and approximately \$22,830,565 on a non-discretionary basis.

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## ITEM 5 FEES AND COMPENSATION

Causey Demgen & Moore P.C. is compensated for the advisory services that we provide in the form of a management fee based upon assets under management. In certain situations, the fee for our services can be in the form of a flat fee retainer or based on hourly charges. These rates are agreed upon in advance and the advisory fee is billed in arrears on a quarterly, semiannual, or annual basis depending upon the predetermined reporting arrangement between the client and the Advisor. An invoice is sent to the client and the client may choose to pay the invoice directly, or sign the invoice providing authorization and instruction to Causey Demgen & Moore P.C. to deduct the fees directly from the client's investment advisory account(s).

Our standard advisory fee schedule is as follows, yet may vary based on the unique circumstances of each client. However, the average fee will never exceed 2.0% annually.

Average Portfolio Value		Annual Rate
\$ 0	\$ 1,500,000	1.00%
\$ 1,500,000	\$ 3,000,000	0.85%
\$ 3,000,000	\$ 5,000,000	0.75%
\$ 5,000,000	\$10,000,000	0.60%
\$10,000,000		0.50%

Advisory fees are calculated based on the average value of the portfolio at the beginning of the period and the value at the end of the agreed upon period as discussed above. The minimum annual fee is \$10,000. Work may also be done on an hourly basis.

Causey Demgen & Moore P.C. receives no other compensation than that from investment advisory fees for these services. No commissions or additional compensation for the sale of specific products are ever received. Other activities for which the client may choose to engage our services (such as financial planning, tax consultation and return preparation) are billed separately.

While the client is under no obligation to custody assets with the custodian recommended by Causey Demgen & Moore P.C., if the client chooses to do so, there may be additional fees assessed by the custodian for the custody of assets or to effect transactions. Certain investments recommended including mutual funds, stocks, exchange-traded funds, or bonds may incur additional trading costs. These fees will vary depending upon the type of investment recommended. Causey Demgen & Moore P.C. receives no portion of the additional fees paid.

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## **ITEM 6      PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Causey Demgen & Moore P.C. does not accept performance-based fees.

Causey Demgen & Moore P.C. is only compensated for its Investment Advisory services on either an hourly basis or in the form of an advisory fee which is based on a percentage of the assets under management (as described above in Item 5).

## **ITEM 7      TYPES OF CLIENTS**

Causey Demgen & Moore P.C. focuses on providing financial planning and investment advisory services to individuals, trusts, estates, corporations, and other business entities, as well as pension and profit sharing plans.

Causey Demgen & Moore P.C. does not have any minimum requirements for opening or maintaining an account. However, as stated in Item 5, the minimum annual investment advisory fee is \$10,000.

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## **ITEM 8      METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Causey Demgen & Moore P.C. develops a unique and customized Investment Strategy for each Investment Advisory client. The cornerstone of the client's investment strategy is the Investment Plan which serves as the foundation for an asset allocation which is believed to best permit the client to attain the long-term targeted rate of return necessary to achieve their identified near-term and/or long-term investment growth and stated income goals.

Causey Demgen & Moore P.C. believes that the preponderance of a portfolio's performance can be attributed to asset class selection. Furthermore, we believe that portfolio risk is mitigated by diversification across asset classes and through diverse manager selection. Based upon research into the historical performance, behavior, and inter-relationships between asset-classes, a strategic asset allocation is developed that we believe provides a high probability of attainment of the rate of return goal established in the Investment Plan.

We believe that the broad diversification inherent in our strategy and represented throughout our client portfolios mitigates the risk of loss over the long-term. However, no assurance can be given that any one or multiple securities could not ultimately become worthless. Nor is there any guarantee that any Investment Plan developed for a client will be successful.

We primarily utilize widely-traded and regularly-priced securities in the implementation of our investment strategy. This includes open-ended mutual funds, exchange-traded funds (ETFs), individual stocks, fixed income (bond) investments (directly-owned and through mutual funds), and cash or cash equivalents in our portfolios. Clients may also choose to retain, or invest in, closely-held securities which are brought to our management. In these instances we make a best-effort to appropriately value these securities, which may be traded only on a limited basis or which may be completely illiquid, based on information provided to the client by the investment manager. In instances such as these, we make an effort to incorporate the objectives and risks associated with said investment into our overall strategy. The client should understand that any investment involves the risk of substantial volatility and the potential for total loss. This may be further compounded by assets which are thinly traded or completely illiquid.

Investment Strategy and economic outlook is formulated by our Investment Committee, which meets on a regular basis to develop a plan for each of our asset allocation models. Although each client is unique, each client portfolio is aligned with an asset allocation model that closely resembles their own asset allocation. The Investment Committee, whose membership is comprised of each of the Investment Advisor Representatives, meets regularly to discuss economic data, market data, asset class relative valuation, and other pertinent topics. The Investment Committee formulates an outlook from which tactical changes are made to each of the strategic asset allocation models based on a near-term outlook of three to five years. Our research process is both top-down (macro-economic oriented) and bottom-up (asset class based).

Clients may impose restrictions on investment in certain securities or certain types of securities. In such instances, it is requested that the client provide such notification in writing. To the extent that such

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constraints present a conflict with potentially achieving the goals as set forth in the financial plan, these will be discussed and documented.

Investment Advisory firms, such as Causey Demgen & Moore P.C., rely in part on digital and network technologies to conduct business. Such networks may be at risk of cyber-attacks that could potentially seek unauthorized access to digital systems for purposes such as misappropriating sensitive client information, corruption of that data, or operational disruption.

Causey Demgen Moore P.C. has policies and procedures in place to protect sensitive client information, and evolves these policies over time to protect against an ever-evolving threat landscape. Nevertheless, cyber incidents could potentially occur, and might in some circumstances, result in unauthorized access to sensitive information about Causey Demgen & Moore P.C. and/or its clients.

## **ITEM 9 DISCIPLINARY INFORMATION**

Causey Demgen & Moore P.C. has no disciplinary events.

## **ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Causey Demgen & Moore P.C. is a public accounting firm. This relationship is material to our advisory business.

Causey Demgen & Moore P.C. is a registered municipal advisor. This relationship is not material to our advisory business.

Neither of these arrangements present a material conflict as the client is under no obligation to retain the services of any of our other lines of business (as outlined in Item 4).

## **ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

As a Registered Investment Advisor, Causey Demgen & Moore P.C. owes a fiduciary duty to its clients. Causey Demgen & Moore P.C. and its employees have a duty of utmost good faith to act solely in the best interests of each of our clients. Our clients entrust us with the management of their assets, which in turn places a high standard on our conduct and integrity. Our fiduciary duty compels all employees to act with the utmost integrity in all of our dealings. This fiduciary duty is the core principle underlying our Code of Ethics and Personal Trading Policy, and represents the expected basis for all of our dealings with our clients.

Our Code of Ethics consists of the following core principles:

- The interests of clients will be placed ahead of the firm's or any employee's own interests.

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- Employees are expected to conduct their personal securities transactions in accordance with the firm's Personal Trading Policy and will strive to avoid any actual or perceived conflict of interest with the client.
- Employees will not take inappropriate advantage of their position with the firm.
- Employees are expected to act in the best interest of each of our clients.
- Employees are expected to comply with all Federal Securities Laws and Regulations.
- All CPAs and employees, as referenced in the Causey Demgen & Moore P.C. employee handbook as amended, are subject to the AICPA's Code of Professional Conduct.
- All CFP® employees are subject to the CFP® Code of Professional Standards.

Upon request, Causey Demgen & Moore P.C. will provide a copy of the firm's Code of Ethics to any client or prospective client.

The supervised employees of Causey Demgen & Moore P.C. may purchase and/or sell the same securities as those recommended to our clients. This may present a conflict. To mitigate any conflict, the firm maintains a strict written trading policy to assure that client interests are placed ahead of those of its employees. Supervised persons are required to report securities transactions and holdings for all accounts in which the employee has a direct or indirect beneficial ownership interest. This includes personal securities information of any family member living within the same household as the employee. All supervised personnel are required to disclose trades placed in their accounts on quarterly basis and to provide a comprehensive list of holdings initially at hire and annually thereafter.

## **ITEM 12      BROKERAGE PRACTICES**

Causey Demgen & Moore P.C. primarily utilizes Charles Schwab's Institutional Investment Management Services. Through this program, Charles Schwab provides both brokerage and custodial services to the majority of Causey Demgen & Moore P.C.'s clients, although clients may elect for their accounts to be held at another institution. Causey Demgen & Moore P.C. has chosen Charles Schwab as its operationally independent third-party custodian for its ability to deliver quality execution and record keeping services. Causey Demgen & Moore P.C. has no ownership or financial interest in Charles Schwab & Co. or its affiliates.

## **ITEM 13      REVIEW OF ACCOUNTS**

Client accounts are reviewed on a regular basis (but no less than annually) based on the pre-determined reporting period agreed upon between the client and the Advisor as stipulated in the Advisory Agreement. The account is reviewed to determine whether changes to the asset allocation are necessary based on changing market and economic conditions and to assure that adequate liquidity is available to meet the client's expected income needs. A performance report is generated for the client along this predetermined schedule and a meeting is held to review the performance and discuss the outlook for the future. At this time, the client is encouraged to discuss any matters which would alter their long-term outlook and/or expected portfolio liquidity needs.

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The client also receives a statement from the independent third-party custodian (i.e. Charles Schwab) no less than on a quarterly basis. This statement provides a detailed accounting of current holdings and transactions that have occurred since the last statement.

## **ITEM 14      CLIENT REFERRALS AND OTHER COMPENSATION**

Causey Demgen & Moore P.C. does not pay for client referrals. Supervised persons may be paid a bonus or permitted to share in revenues from a client relationship. It is not believed that this arrangement presents a conflict of interest.

## **ITEM 15      CUSTODY**

Causey Demgen & Moore P.C. believes that an understanding of whether an Advisor has custody of client assets is an important concept for all clients to understand. The Securities & Exchange Commission defines custody as *“holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them.”* The SEC rules require Investment Advisors with custody of client securities or funds to implement a set of controls designed to protect client assets from being lost, misused, or misappropriated. Causey Demgen & Moore P.C. has implemented such controls which are summarized herein. Upon request, Causey Demgen & Moore P.C. will provide a copy of the firm’s Custody Policies to any client or prospective client.

It is our practice to require that client assets are held with an independent third-party (i.e. *Charles Schwab Institutional*). By insisting that assets are held with an operationally-independent firm and by periodically requesting a letter from the custodian as evidence that accounts statements are indeed sent to our clients on a no-less-than-quarterly basis, we believe that we have instilled safeguards to preclude the misappropriation of client assets.

Causey Demgen & Moore P.C. has determined that based on the definition of custody as defined by the SEC, that we do have custody of client assets. Our custody of client assets is limited to one of the following situations:

- 1.) Causey Demgen & Moore P.C. has custody on a limited basis solely because we may deduct advisory fees directly from client accounts. Clients may choose to grant us limited authority to deduct advisory fees from their accounts. It is our practice to obtain client consent providing specific authorization to deduct fees from the client account(s).
- 2.) Causey Demgen & Moore P.C. and its related persons are periodically named in client’s estate planning documents and may be asked to serve as executor/personal representative of a client’s estate and/or to serve as a trustee of a testamentary trust created upon the death of a client. A client may also ask that we serve as co-trustee of a living trust. In these situations, Causey Demgen & Moore is deemed to have custody of client assets.

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In either of these situations, the firm and its related person is reasoned to have custody because the adviser has direct or indirect access to client funds or securities. Causey Demgen & Moore P.C. has taken the necessary steps to assure compliance with SEC Rules and Regulations related to the safeguarding of client assets of which we have custody. These steps include:

- a.) Updating our form ADV to reflect that situations may arise where we have custody.
- b.) Maintaining such assets in a segregated account with a qualified third-party custodian.
- c.) Maintaining required records of client assets over which we have custody.
- d.) Assuring that the client/beneficiaries receive a statement no less often than quarterly from the operationally independent third-party custodian of the assets detailing values and activity.
- e.) Engaging the services of an independent accountant to conduct a once annual audit of accounts where we have custody.

## **ITEM 16      INVESTMENT DISCRETION**

Causey Demgen & Moore P.C. accepts discretionary authority, limited to trading, in order to manage the accounts placed under management by our clients. Clients may place limitations on this authority by doing so in writing.

## **ITEM 17      VOTING CLIENT SECURITIES**

Without exception, Causey Demgen & Moore P.C. does not vote proxies on behalf of clients. Discretionary authority does not extend to proxy voting. All proxy materials received on behalf of a client account are to be sent directly to our client or a designated representative of the client, who is responsible for voting the proxy.

Causey Demgen & Moore P.C. personnel may answer client questions regarding proxy-voting matters in an effort to assist the client in determining how to vote the proxy. However, the final decision of how to vote the proxy rests with the client.

## **ITEM 18      FINANCIAL INFORMATION**

Causey Demgen & Moore P.C. does not have any financial conditions that are reasonably likely to impair the firm's ability to meet contractual commitments to clients.

## **ITEM 19      REQUIREMENTS FOR STATE-REGISTERED ADVISORS**

Causey Demgen & Moore P.C. is registered with the Securities and Exchange Commission. Causey Demgen & Moore P.C. is not registered with any State Securities or State Regulatory Authority as we are not required to be so registered.

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