

ALLEGHENY FINANCIAL GROUP WRAP FEE PROGRAM  
BROCHURE

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March 2021

This wrap fee program brochure provides information that you should consider before becoming a client of the Allegheny Financial Group Wrap Fee Program. If you have any questions about the contents of this Brochure, please contact us at 412-367-3880 or [comments@Alleghenyfinancial.com](mailto:comments@Alleghenyfinancial.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.

Allegheny is a registered investment adviser. Registration of an Investment Adviser does not imply a certain level of skill or training.

Additional information about Allegheny also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD for Allegheny is 104690.

## **ITEM 2 - MATERIAL CHANGES**

There have been no material changes to our Allegheny Financial Group Wrap Fee Program Brochure since our last annual update in March 2020.

## ALLEGHENY FINANCIAL GROUP WRAP FEE PROGRAM BROCHURE

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## **ITEM 4 - SERVICES, FEES AND COMPENSATION**

### **Services**

Allegheny Financial Group, LTD (“Allegheny”) offers asset management services based on the individual needs of the client. This Brochure provides a description of the advisory services offered under the Allegheny Financial Group Wrap Fee Program.

For more information about Allegheny’s other investment advisory services, please contact your advisor for a copy of a similar brochure that describes such services or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Through the Allegheny Financial Group Wrap Fee Program, Allegheny provides ongoing investment advice and management on assets in the client’s account. Allegheny provides advice on the purchase and sale of various types of investments, such as mutual funds, exchange-traded funds (“ETFs”), variable annuity subaccounts, equities, and fixed income securities. Allegheny provides advice that is tailored to the individual needs of the client based on the investment objective chosen by the client. Clients may impose restrictions on investing in certain securities or groups of securities by indicating in the written advisory agreement with Allegheny.

Allegheny provides investment management services on both a discretionary and non-discretionary basis. Non-discretionary services require clients to initiate or pre-approve investment transactions in their accounts before they can occur, whereas “discretionary” services authorize Allegheny to buy, sell or hold investment positions without obtaining pre-approval from clients for each transaction. Clients choose if they want Allegheny to provide investment management services on a discretionary or non-discretionary basis. When clients choose discretionary management Allegheny receives limited discretionary authority from the client to select the identity and amount of securities to be bought or sold. Clients must provide written authorization to allow Allegheny discretionary authority. In all cases, this discretion is exercised in a manner consistent with the stated investment objectives for the particular client account.

Assets for program accounts are held at National Financial Services (“NFS”), a FINRA registered broker-dealer, member SIPC. NFS acts as executing broker-dealer for transactions placed in program accounts, and provides other administrative services as described throughout this Brochure. You cannot request that your orders be executed through another broker-dealer. Allegheny Investments LTD (“AI”), is a dually registered investment adviser and licensed broker-dealer. Allegheny is under common control with AI and the directors of Allegheny are also the directors of AI. AI is the introducing broker-dealer for program accounts. Since associated persons of Allegheny are registered with AI, the affiliated broker-dealer, this presents a conflict of interest. Clients should understand that not all advisors require their clients to select a certain broker. By selecting AI/NFS as the broker, clients may be unable to achieve the most favorable execution of client transactions. Therefore, this practice may cost clients more money. Clients will be subject to separate fees and expenses charged by NFS. Allegheny receives support services and/or products from NFS, many of which assist Allegheny to better monitor and service program accounts maintained at NFS; however, some of the services and products benefit Allegheny and not client accounts.

### **Fees**

In the Allegheny Financial Group Wrap Fee Program, clients pay Allegheny a single advisory fee for advisory services and execution of transactions. Clients do not pay brokerage commissions, markups or transaction charges for execution of transactions in addition to the advisory fee. The advisory fee is

negotiable between the client and Allegheny and is set out in the advisory agreement. The advisory fee is a percentage based on the value of all assets in the account, including cash holdings. The maximum advisory fee for newly executed advisory agreements is 1.00%. The advisory fee may be higher than the fee charged by other investment advisors for similar services. The advisory fee is paid to Allegheny. Allegheny does not accept performance-based fees for program accounts.

The advisory fee is deducted from the account by NFS and paid to Allegheny based on a written authorization from the client. Allegheny calculates the advisory fee in advance and provides the debit instruction to NFS based on the billing frequency stated in the advisory agreement; typically, semi-annually or annually. In limited circumstances, clients are invoiced for their fees. If the advisory agreement is terminated before the end of the period, client is entitled to a pro-rated refund of any pre-paid advisory fee based on the number of days remaining in the billing period after the termination date.

### **Wrap Fee Program Transaction Charges Disclosure**

In the Allegheny Financial Group Wrap Fee Program, the transaction costs are borne by Allegheny. Allegheny has agreed to pay an asset-based fee to NFS. The asset-based fee covers clearing and execution services. The asset-based fee covers the cost of all transactions during the first 60 days after an account is opened. The asset-based fee has an annual limit of 45 transactions. Transactions placed for an account that exceed the annual limit will be paid by Allegheny. Allegheny has an incentive to limit trades to 45 per year.

When the transaction costs borne by Allegheny are transaction based, Allegheny has a conflict of interest because they have a financial incentive to trade less frequently. In addition, because transactions charges vary by security type, there is a conflict of interest for Allegheny because they have an incentive to select securities for your Account that cost the Advisor less than other types of securities. Clients should discuss with their advisor these conflicts. The transaction charges vary depending on the type of security being purchased or sold. In the case of mutual funds, the transaction charges vary. Funds identified in the NFS published directory as being subject to mutual fund transaction surcharges will be assessed a \$10 mutual fund transaction surcharge on buys, sells, exchanges-roundtrip and share class conversions. The list of fund families and/or CUSIPs that are subject to the surcharge is subject to change by NFS without notice. Allegheny is responsible for paying these transaction surcharges. Therefore, Allegheny has an incentive to use funds that are not assessed the extra transaction fee.

NFS currently has arranged for all funds in the No Transaction Fee Program (referenced with a fee status of "NTF") in the published directory to be free of clearing charges for wrap fee program accounts. NFS receives compensation from the fund families based on the average daily net assets in the funds that are identified as NTF. Funds that are identified as NTF generally pay all available 12b-1 fee revenue to NFS as part of such compensation. Any 12b-1 fees associated with the funds identified as NTF that are received by NFS for wrap fee accounts will be credit directly to the client account, or paid to Allegheny then applied as an offset toward the client's advisory fee. While NTF funds have no transaction charge they tend to have a higher expense ratio, which is borne by the client. NFS does not charge a transaction charge for fixed income securities (e.g., bonds or structured products); however, NFS acts as principal on fixed income security transactions and receives a mark-up/down on the transaction. These charges are subject to change.

Certain share classes of mutual funds that participate in NFS's NTF Program can be purchased in non-wrap accounts without a transaction charge. In order to participate in the NTF Program, mutual funds pay NFS recordkeeping and/or revenue sharing fees in the form of asset-based or transaction-based fees. A complete list of mutual fund sponsors participating in the NTF Program can be found by visiting <https://fundresearch.fidelity.com/mutual-funds/fund-families-no-transaction-fee>. Clients should understand that the cost to Allegheny of transaction charges is a factor they consider when deciding which mutual funds to select and whether or not to place transactions in the account. Advisor has a financial incentive to select certain funds in order to reduce or eliminate the transaction charges, including but not limited to funds participating in the NTF Program.

### **Other Types of Fees and Charges**

Program accounts will incur additional fees and charges from parties other than Allegheny as noted below. These fees and charges are in addition to the advisory fee paid to Allegheny. Allegheny does not share in any portion of these third-party fees.

NFS, as the custodian and broker-dealer providing brokerage and execution services on program accounts, will impose certain fees and charges that are not part of the bundled platform fee. NFS notifies clients of these charges at account opening. NFS will deduct these fees and charges, as applicable, directly from the client's program account.

There are other fees and charges that are imposed by other third parties that apply to investments in program accounts. Some of these fees and charges are described below.

- If a client's assets are invested in mutual funds or other pooled investment products, clients should be aware that there will be two layers of advisory fees and expenses for those assets. Client will pay an advisory fee to the fund manager and other expenses as a shareholder of the fund. Client will also pay Allegheny the advisory fee with respect to those assets. Most of the mutual funds available in the program may be purchased directly. Therefore, clients could generally avoid the second layer of fees by not using the management services of Allegheny and by making their own investment decisions.
- Certain mutual funds impose fees and charges such as contingent deferred sales charges, early redemption fees and charges for frequent trading. These charges may apply if client transfers into or purchases such a fund with the applicable charges in a program account.
- Although Allegheny requires that no-load and load-waived mutual funds be purchased in a program account when available, client should understand that some mutual funds pay asset-based sales charges or service fees (e.g., 12b-1 fees) to the custodian with respect to account holdings.
- If client holds a variable annuity as part of an account, there are mortality, expense and administrative charges, fees for additional riders on the contract and charges for excessive transfers within a calendar year imposed by the variable annuity sponsor.

Further information regarding fees assessed by a mutual fund, or variable annuity is available in the appropriate prospectus, which is available upon request from Allegheny or from the product sponsor directly.

## **Other Important Considerations**

- The advisory fee is an ongoing wrap fee for investment advisory services, the execution of transactions and other administrative and custodial services. The advisory fee may cost the client more than purchasing the program services separately, for example, paying an advisory fee plus commissions for each transaction in the account. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the type and size of the account, historical and or expected size or number of trades for the account, and number and range of supplementary advisory and client-related services provided to the client.
- The advisory fee also may cost the client more than if assets were held in a traditional brokerage account. In a brokerage account, a client is charged a commission for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If the client plans to follow a buy and hold strategy for the account or does not wish to purchase ongoing investment advice or management services, the client should consider opening a brokerage account rather than a program account.
- The Advisor recommending the program to the client receives compensation as a result of the client's participation in the program. This compensation includes the advisory fee and also may include other compensation, such as bonuses, awards or other things of value offered by NFS to Allegheny or its associated persons. The amount of this compensation may be more or less than what Allegheny would receive if the client participated in other Allegheny programs, programs of other investment advisors or paid separately for investment advice, brokerage and other client services. Therefore, Allegheny has a financial incentive to recommend a the program over other programs and services.
- The investment products available to be purchased in the program can be purchased by clients outside of a program account, through broker-dealers or other investment firms not affiliated with Allegheny.

## **ITEM 5 - ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

There are no minimum account values for the Allegheny Financial Group Wrap Fee Program advisory program accounts.

The program is available for individuals, IRAs, banks and thrift institutions, pension and profit-sharing plans, trusts, estates, charitable organizations, state and municipal government entities, corporations and other business entities.

## **ITEM 6 - PORTFOLIO MANAGER SELECTION AND EVALUATION**

In the Allegheny Financial Group Wrap Fee Program, Allegheny is the wrap program portfolio manager. Allegheny, through its associated persons, is responsible for the investment advice and management offered to clients. Allegheny requires that individuals involved in determining or giving investment advice have sufficient training and experience to provide such advice, including the successful completion of industry exams and certifications. For more information about the associated person of Allegheny managing the account, Clients should refer to the Brochure Supplement for the associated person, which Clients should have received along with this Brochure at the time the account was opened.

NFS performs certain administrative services for Advisor, including generation of quarterly statements for program accounts.

## **Methods of Analysis and Investment Strategies**

Allegheny advisors place a strong emphasis on the financial planning process. Clients who receive financial planning services generally go through the following process. Not all clients receive financial planning.

- a. **DEFINE CLIENT OBJECTIVES** Our Allegheny Advisors ask questions and discover key client issues and concerns, based upon their extensive experience, to build a meaningful evaluation of our clients' finances. These questions include determining risk tolerance, education needs, retirement objectives, long and short-term goals and objectives.
- b. **DEVELOP A FINANCIAL PLAN** Allegheny Advisors analyze assets and liabilities and evaluate risk tolerances to develop a clear picture of our clients' financial status. This enables us to build a plan to meet each client's objectives. The financial plan may contain programs to enhance cash flow, decrease tax liabilities, enhance the funding of educational goals or a comfortable retirement, or meet a business or organization's financial goals. Our planning tools enable Allegheny Advisors to chart detailed projections to account for factors that impact our clients' finances, and anticipate changing needs. At the end of the process, Allegheny Advisors provide a very specific set of recommendations. Clients then decide whether to implement these recommendations.
- c. **IMPLEMENT THE FINANCIAL PLAN** Allegheny Advisors work with a team of specialists to select the most appropriate fund managers, insurance providers, and risk managers to ensure consistent portfolio performance.
- d. **MONITOR AND REFINE THE FINANCIAL PLAN** Allegheny Advisors support our clients' portfolio with ongoing and original research to measure performance. Allegheny Advisors report to clients through detailed reports and updates and one-on-one meetings.

Allegheny Advisors primarily use mutual funds in their investment strategy. Risks associated with this include:

- *Market conditions*- The prices of, and the income generated by, the common stocks, bonds and other securities held by the fund may decline due to market conditions and other factors, including those directly involving the issuers of securities held by the fund.
- *Investing in growth-oriented stocks*- Growth-oriented stocks may involve larger price swings and greater potential for loss than other types of investments.
- *Investing in income-oriented stocks*- Income provided by the fund may be reduced by changes in the dividend policies of, and the capital resources available at, the companies in which the fund invests.
- *Investing in bonds*- Rising interest rates will generally cause the prices of bonds and other debt securities to fall. In addition, falling interest rates may cause an issuer to redeem, call or



refinance a security before its stated maturity, which may result in the fund having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities may be subject to greater price fluctuations than shorter maturity debt securities.

Bonds and other debt securities are subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. Lower quality debt securities generally have higher rates of interest and may be subject to greater price fluctuations than higher quality debt securities.

- *Investing in securities backed by the U.S. government*- Securities backed by the U.S. government are guaranteed by the U.S. Treasury or the full faith and credit of the U.S. government are guaranteed only as to the timely payment of interest and principal when held to maturity. Accordingly, the current market values for these securities will fluctuate with changes in interest rates. Securities issued by government sponsored entities and federal agencies and instrumentalities are neither issued nor guaranteed by the U.S. government.
- *Investing in mortgage-backed and asset-backed securities*- Many types of bonds and other debt securities, including mortgage-back securities, are subject to prepayment risk, as well as the risks associated with investing in debt securities in general. If interest rates fall and the loans underlying these securities are prepaid principal in lower yielding securities, thus reducing the fund's income. Conversely, if interest rates increase and the loans underlying the securities are prepaid more slowly than expected, the expected duration of the securities may be extended. This reduces the potential for the fund to invest the principal in higher yielding securities.
- *Thinly traded securities*- There is little trading in the secondary market for particular bonds or other debt securities, which makes them more difficult to value or sell.
- *Investing outside the United States*- Securities of issuers domiciled outside the United States, or with significant operations outside the United States, may lose value because of political, social or economic developments in the country or region in which the issuer operates. These securities may also lose value due to changes in the exchange rate of currencies which are more volatile and/or less liquid than those in the United States. Investments outside the United States may also be subject to different settlement and accounting practices and different regulatory, legal and reporting standards than those in the United States. These risks are heightened in connection with investments in developing countries.
- *Management*- The investment advisor to a fund actively manages the fund's investments. Consequently, the fund is subject to the risk that the methods and analyses employed by the investment adviser do not produce the desired results. This could cause the fund to lose value or its results to lag relevant benchmarks or other funds with similar objectives.
- *Equity Market Risk*- Overall stock market risks may affect the value of the investments in equity strategies. Factors such as U.S. economic growth and market conditions, interest rates, and political events affect the equity markets.

- *Investment Selection Risk*- There is no guarantee that our judgments about the attractiveness, value and potential appreciation of a particular asset class or individual security are correct and that individual securities will perform as anticipated. The value of an individual security can be more volatile than the market as a whole or our intrinsic value approach may fail to produce the intended results. Our estimate of intrinsic value may be wrong or even if our estimate of intrinsic value is correct, it may take a long period of time before the price and intrinsic value converge.

Investing in securities involves the risk of loss. Your investment in a fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency, entity or person. You should consider how this fund fits into your overall investment program.

### **Voting Client Securities**

As a matter of firm policy and practice, Allegheny does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios.

Clients will receive proxies or other solicitations directly from their custodian or transfer agent. We may provide clients with assistance regarding proxy issues if they contact us with questions.

### **ITEM 7 - CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

In the Allegheny Financial Group Wrap Fee Program, the Advisor is responsible for account management; there is no separate portfolio manager involved. The Advisor obtains the necessary financial data from the client and assists the client in setting an appropriate investment objective for the account. The Advisor obtains this information by having the client complete an advisory agreement and other documentation. Clients are encouraged to contact their Advisor if there have been any changes in the client's financial situation or investment objectives or if they wish to impose any reasonable restrictions on the management of the account or reasonably modify existing restrictions.

### **ITEM 8 - CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Clients should contact their Advisor at any time with questions regarding program account.

### **ITEM 9 - ADDITIONAL INFORMATION**

Allegheny does not have any legal or disciplinary events to disclose.

As noted previously, Allegheny's affiliate AI is a dually registered investment adviser and licensed broker-dealer. AI is under common control with Allegheny Financial Group and the directors of AI are also the directors of Allegheny Financial Group.

Some members of management and other personnel are registered representatives of the affiliated broker-dealer. In this capacity they implement investment recommendations for advisory clients and

receive separate yet customary compensation including, commissions, 12b-1 fees or other transaction related compensation.

Receipt of commissions presents a conflict of interest and it gives Allegheny and the Advisor an incentive to recommend an investment product based on the compensation received. Allegheny addresses this conflict by disclosing to clients brokerage and other expenses. Allegheny clients will receive notification of brokerage commissions charged by the affiliated broker-dealer.

Allegheny endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Allegheny in and of itself creates a conflict of interest and indirectly influences Allegheny's choices for investments, custody and brokerage services.

Some members of management and other personnel are licensed insurance agents and receive additional compensation for the implementation or purchase of insurance products for advisory clients. Allegheny is a licensed insurance broker.

Some Allegheny Advisors are involved in other business activities including accounting services and other professional services. Please see the individual Part 2B supplement for information concerning your advisor.

Some members of management are shareholders and/or general partners or managing members of limited partnerships of limited liability corporations formed for investment purposes. Certain Advisory clients are solicited to invest in these Funds. Funds are only available to accredited investors and involve certain additional risks. General Partners and other related entities are compensated in accordance with the partnership offering documents. A list of these related entities is disclosed on Schedule D of Form ADV Part 1. Form ADV Part 1 can be accessed by following the directions on the Cover Page of this Brochure.

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

Allegheny has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Allegheny must acknowledge the terms of the Code of Ethics annually, or as amended. Allegheny's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Allegheny Compliance.

In appropriate circumstances, consistent with clients' investment objectives, Allegheny will cause accounts over which Allegheny has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Allegheny, its affiliates and/or clients, directly or indirectly, have a position of interest. Allegheny's employees and persons associated with Allegheny are required to follow Allegheny's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Allegheny and its affiliates trade for their own accounts in securities and investments which are recommended to and/or purchased for Allegheny's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Allegheny will not interfere with (i) making decisions in the

best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. The Code of Ethics permits employees to invest in the same securities as clients, and while there is a possibility that employees might benefit from market activity by a client in a security held by an employee, employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Allegheny and its clients.

It is Allegheny's policy that the firm will not affect any principal or agency cross securities transactions for client accounts, with the exception of a very limited number of bond transactions with pre-notification to the clients. Allegheny will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client.

A principal transaction is also deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions have the potential to arise since Allegheny's affiliate AI is dually registered as a broker-dealer and investment adviser.

### **Review of Accounts**

Allegheny Advisors typically contact their clients at least semi-annually, as well as offer to schedule meetings with them at least annually to review the performance of Allegheny clients' advisory accounts, and discuss any changes in the clients' finances, financial goals, or profile. Allegheny supervising principals review client transactions. Each financial plan or report is reviewed by at least one Allegheny Advisor in addition to the Advisor preparing the plan. Allegheny advisors provide reports to clients on a periodic basis as determined by the relationship and indicated in the client/advisor agreement.

Allegheny Advisors monitor client portfolios continuously. Allegheny supervising principals, in conjunction with Compliance, review client information on an ongoing basis. Allegheny relies in part on technology but also reviews and audits other information.

Allegheny Advisors and Allegheny home office personnel are available during normal business hours to answer questions or other inquiries from Allegheny clients.

### **Client Referrals and Other Compensation**

Allegheny does not accept or allow our supervised persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

Allegheny compensates others for client referrals. When compensating others Allegheny will follow the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940 and any corresponding securities law requirements. At the time of the referral Allegheny will disclose the nature of the relationship and provide a written disclosure statement. Referral arrangements will not result in any additional fees to clients.

Registered investment advisers are required to provide you with certain financial information or disclosures about Allegheny's financial condition. Allegheny has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. For certain clients, Allegheny requires or solicits payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we have included financial statements from an independent auditor.

ALLEGHENY FINANCIAL GROUP, LTD.

PITTSBURGH, PENNSYLVANIA

AUDIT REPORT

DECEMBER 31, 2020

ALLEGHENY FINANCIAL GROUP, LTD.

DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders  
Allegheny Financial Group, Ltd.

**Report on the Financial Statements**

We have audited the accompanying balance sheet of Allegheny Financial Group, Ltd. as of December 31, 2020.

**Management's Responsibility for the Financial Statements**

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 balance sheet that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the balance sheet based on our audits. We conducted our audits 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 balance sheet is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the balance sheet. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the balance sheet, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the balance sheet 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 entity'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 balance sheet.

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

In accordance with the terms of our engagement, we did not audit the statements of income, changes in stockholders' equity, and cash flows for the year ended December 31, 2020, and, accordingly, we express no opinion on them.

**Opinion**

In our opinion, the balance sheet referred to above present fairly, in all material respects, the financial position of Allegheny Financial Group, Ltd. as of December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.



Cranberry Township, Pennsylvania  
May 11, 2021



ALLEGHENY FINANCIAL GROUP, LTD.  
BALANCE SHEET  
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,731,114
Trading securities	671,762
Accounts receivable, net	32,771
Accounts receivable - related party	1,348,946
Prepaid expenses	319,842
Total current assets	<u>5,104,435</u>

PROPERTY, PLANT, AND EQUIPMENT

Office furniture and equipment	655,257
Leasehold improvements	173,916
	<u>829,173</u>
Less accumulated depreciation	(629,071)
Net property, plant, and equipment	<u>200,102</u>

INTANGIBLE ASSETS

Customer lists	50,000
Less accumulated amortization	(2,083)
Net intangible assets	<u>47,917</u>

TOTAL ASSETS	<u><u>\$ 5,352,454</u></u>
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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 144,267
Accrued expenses	1,430,996
Deferred fee revenue	3,652,628
Total current liabilities	<u>5,227,891</u>
Total liabilities	<u>5,227,891</u>

STOCKHOLDERS' EQUITY

Capital stock, common, no par value; authorized 12,000 shares of which 6,600 shares are issued and 6,270 shares outstanding	89,382
Retained earnings	76,563
Treasury stock - at cost, 330 shares	(41,382)
Total stockholders' equity	<u>124,563</u>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 5,352,454</u></u>
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The accompanying notes are an integral part of the financial statements.

ALLEGHENY FINANCIAL GROUP, LTD.  
STATEMENT OF INCOME (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2020

INVESTMENT ADVISORY FEES EARNED	\$ 18,689,634
OPERATING EXPENSES	
Salaries	14,347,001
Employee benefits	1,179,022
Payroll taxes	705,379
Technology	657,738
Rent	545,249
Advertising and promotions	267,868
Professional fees	240,547
Office expense	165,839
Travel and entertainment	139,342
Depreciation and amortization	95,092
Insurance	95,198
Outside services	95,097
Licenses and registration	74,052
Education and seminars	59,542
Postage	22,540
ERISA bond	17,345
Taxes - other	12,290
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TOTAL OPERATING EXPENSES	18,719,141
	<hr/>
LOSS FROM OPERATIONS	(29,507)
OTHER INCOME	
Change in fair value of equity securities	89,855
Dividend income	9,554
Interest income	256
	<hr/>
TOTAL OTHER INCOME	99,665
	<hr/>
NET INCOME	\$ <u><u>70,158</u></u>

The accompanying notes are an integral part of the financial statements.

ALLEGHENY FINANCIAL GROUP, LTD.  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Capital Stock</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Total Stockholders' Equity</u>
Balance, December 31, 2019	\$ 89,382	\$ 6,405	\$ (41,382)	\$ 54,405
Net income	<u>-</u>	<u>70,158</u>	<u>-</u>	<u>70,158</u>
Balance, December 31, 2020	<u>\$ 89,382</u>	<u>\$ 76,563</u>	<u>\$ (41,382)</u>	<u>\$ 124,563</u>

The accompanying notes are an integral part of the financial statements.

ALLEGHENY FINANCIAL GROUP, LTD.  
STATEMENT OF CASH FLOWS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2020

OPERATING ACTIVITIES	
Net Income	\$ 70,158
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	93,157
Amortization	1,935
Change in fair value of equity securities	(89,855)
(INCREASE) DECREASE IN OPERATING ASSETS	
Purchases and proceeds from the sale of trading securities, net	(5,471)
Accounts receivable, net	(12,026)
Accounts receivable - related party	1,176,657
Prepaid expenses	86,483
INCREASE (DECREASE) IN OPERATING LIABILITIES	
Accounts payable	(55,358)
Accrued expenses	218,926
Deferred fee revenue	323,585
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,808,191
INVESTING ACTIVITIES	
Purchase of furniture and equipment	(142,134)
Payments for purchase of intangible assets	(50,000)
NET CASH USED FOR INVESTING ACTIVITIES	(192,134)
INCREASE IN CASH AND CASH EQUIVALENTS	1,616,057
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,115,057
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 2,731,114

The accompanying notes are an integral part of the financial statements.

**ALLEGHENY FINANCIAL GROUP, LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations – Allegheny Financial Group, Ltd. (the “Company”) is a financial planning firm, offering access to a wide range of financial products and services and specializing in consumer-oriented financial planning.

Basis of Accounting – The Company maintains its records and prepares financial statements using the accrual basis of accounting.

Investment Advisory Fees – Investment advisory fees are received quarterly but are recognized as earned on a pro rata basis over the term of the contract.

Accounts Receivable – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable efforts are written off through a charge in the valuation allowance and a credit to accounts receivable. The Company determines when receivables are past due upon contract terms and does not charge finance costs on past-due trade receivables. An allowance for doubtful accounts of \$20,000 has been included in the accompanying financial statements and is netted against the balance of accounts receivable on the Balance Sheet.

Investments – Investments in equity securities that have readily determinable fair values are classified and accounted for as trading securities. Realized and unrealized gains and losses on trading securities are included in other income.

Property, Plant, and Equipment – Property, plant, and equipment are carried at cost. Maintenance and repairs are charged to expense as incurred. Upon sale or retirement, the related cost and accumulated depreciation are removed from the accounts and only the resultant gain or loss is recognized.

Depreciation – Depreciation is calculated using the straight-line and various accelerated methods over the useful lives of the assets.

<u>Assets</u>	<u>Economic Lives/ Recovery Period</u>
Office furniture and equipment	5 - 10 years
Leasehold improvements	7 years

Depreciation expense for the year ended December 31, 2020, amounted to \$93,157 (unaudited).

Intangible Assets – In 2020, the Company purchased a book of business from an existing investment advisor. This intangible asset is amortized straight-line over the remaining useful life of the asset.

	<u>2020</u>
Beginning Balance	\$ -
Add: Acquired	50,000
Subtract: Amortization	<u>(2,083)</u>
Ending Balance	<u><u>\$ 47,917</u></u>

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

**Revenue Recognition** – The Company provides investment advisory services on a daily basis. The Company believes the performance obligation for providing investment advisory services is satisfied over time because the customer is receiving the benefits as they are provided by the Company. Advisory fee arrangements are based on a percentage applied to the customer’s assets under advisement. Advisory fees are received quarterly, semi-annually and (in a few instances) annually and are recognized as revenue at the time they relate specifically to the services provided in that period.

**Cash Flows** – For purposes of the Statement of Cash Flows, the Company considers highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Concentration of Credit Risk** – The Company’s principal activities include financial planning, financial and business consulting, and money management with most of their clients located in the western Pennsylvania area. The Company maintains cash accounts which, at times, may exceed insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Use of Estimates** – The preparation of financial statements in accordance with U.S. GAAP 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.

**Advertising Costs** – Advertising costs are expensed as incurred.

## 2. INVESTMENTS

Investment securities have been classified according to management’s intent. A summary of investments classified as trading at December 31, 2020, is as follows:

	<u>2020</u>
Mutual funds - equities	\$ <u>671,762</u>

Trading securities gains included in earnings as of December 31, 2020, \$27,094 (unaudited) of realized capital gains and \$62,761 (unaudited) related to unrealized gains for assets held at December 31, 2020.

## 3. DEFERRED FEE REVENUE

At December 31, 2020, the unearned portion of client billings, representing deferred revenue, is \$3,652,628.

## 4. CORPORATE INCOME TAXES

The Company, with the consent of its stockholders, has elected to have its income taxed as an S Corporation under Section 1372 of the Internal Revenue Code, which provides that in lieu of corporate income taxes, the stockholders are taxed on their proportionate share of the Company’s taxable income. No provision or liability for federal or state income taxes is included in these financial statements. However, the Company is subject to state corporate income taxes in any state that does not automatically recognize its federal S status, and in which it does not specifically elect to be taxed as an S Corporation. Currently, the Company is subject to state income taxes in the state of New York, and its policy is to expense these amounts as they are incurred.

#### 4. CORPORATE INCOME TAXES (continued)

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances, and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an

event occurs that requires a change. There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Company recognizes, when applicable, interest and penalties related to unrecognized tax benefits in other expenses on the Statement of Income. The Company's federal and state income tax returns for taxable years ending prior to 2017 are closed for purposes of examination by the Internal Revenue Service and state taxing authorities.

#### 5. PROFIT SHARING PLAN

The Company has adopted a profit-sharing plan under Section 401(k) of the Internal Revenue Code. All full-time employees are eligible for the plan, regardless of age or years of service. The Company contribution to the plan during the year ended December 31, 2020, was \$578,385 (unaudited).

#### 6. OPERATING LEASES (unaudited)

The Company and an affiliated company have entered into a seven-year lease for the facilities they currently occupy. The first payment on this lease agreement commenced in October of 2020. The total monthly rental is \$55,891 for the first three years; \$58,680 for the next three years; and \$61,557 for the remaining three years. The Company's portion of these rental payments is \$49,877 for the first three years; \$52,366 for the next three years; and \$54,934 for the remaining three years.

The Company entered into a three-year lease for copy machines in October 2018. The total monthly rental is \$2,550 for the term of the agreement ending in October of 2021.

The Company entered into a three-year lease for a postage scale in June 2018. The total quarterly rental is \$1,578 for the term of the agreement ending in June of 2021.

The following is a schedule of future minimum rental payments required under the above leases as of December 31, 2020:

<u>Year Ended</u>	<u>Amount</u>
2021	\$ 624,633
2022	623,416
2023	628,394
2024	628,394
2025	654,073
2026 and beyond	1,428,286

Rental expense amounted to \$545,249 (unaudited) for the year ended December 31, 2020.

## 7. RELATED-PARTY TRANSACTIONS

At December 31, 2020, the Company has a receivable of \$1,348,946 from an affiliated company for various expenses that have been allocated between the two companies.

Balance December 31, 2019	\$	2,573,494
Cash repayment		(2,984,546)
Distributions		246,000
401k discretionary contribution		209,763
Expenses:		
Employee compensation and benefits		1,318,256
Brokerage fees		6,732
Occupancy & equipment		70,362
Communication & technology		87,766
Professional fees *		(49,557)
Advertising		18,480
Travel & entertainment		3,173
Other Expenses *		<u>(150,977)</u>
Balance December 31, 2020	\$	<u><u>1,348,946</u></u>

\* For expenses in these categories, the expense has been paid by Allegheny Financial Group rather than the affiliated company. Most of the expense then has been transferred to said affiliated company, and therefore the result is a negative balance.

## 8. STOCKHOLDERS' AGREEMENT

The stockholders of the Company entered into an agreement stipulating, among other things, the terms under which the Company's stock can be sold or transferred. The agreement provides that ownership of the Company will be determined by the cumulative gross revenues produced for the Company by each revenue producer at a price determined in accordance with the agreement. The agreement also requires that the Company redeem the shares owned by a stockholder upon death, disability, or retirement if those shares are not purchased by any of the other stockholders.

## 9. FAIR VALUE MEASUREMENTS

The following disclosures show the hierarchal disclosure framework associated with the level of pricing observations utilized in measuring assets and liabilities at fair value. The three broad levels defined by U.S. generally accepted accounting principles are as follows:

- Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.
- Level II: Pricing inputs are other than the quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities includes items for which quoted prices are available but traded less frequently and items that are fair valued using other financial instruments, the parameters of which can be directly observed.
- Level III: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data when available.



## 9. FAIR VALUE MEASUREMENTS (continued)

The following table presents the assets reported on the Balance Sheet at their fair value as of December 31, 2020, by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	December 31, 2020			
	Level I	Level II	Level III	Total
Assets:				
Trading securities:				
Mutual Funds- equities	\$ 671,762	-	-	\$ 671,762

Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. If a quoted market price is available for a financial instrument, the estimated fair value would be calculated based upon the market price per trading unit of the instrument. Investment securities trading are valued based upon quoted market prices.

Financial instruments are defined as cash, evidence of ownership interest in an entity, or a contract that creates an obligation or right to receive or deliver cash or another financial instrument from or to a second entity on potentially favorable or unfavorable terms.

As certain assets such as furniture and equipment are not considered financial instruments, the estimated fair value of financial instruments would not represent the full value of the Company. Additionally, certain financial instruments that are not carried at fair value on the Balance Sheet and are carried at amounts that approximate fair value due to their short-term nature and generally negligible credit risk. These instruments include cash and cash equivalents, trading securities, accounts receivable, prepaid expenses, accounts payable, accrued expenses, and fees billed in advance.

## 10. SUBSEQUENT EVENTS

Management has reviewed events occurring through May 11, 2021, the date the financial statements were issued, and no subsequent events have occurred requiring accrual or disclosure.