BALANCE SHEET SOLUTIONS

*Performance Driven, Value Focused*

# AUDITED FINANCIAL STATEMENT
# AS OF DECEMBER 31, 2014

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# INDEPENDENT AUDITOR'S REPORT

March 3, 2015

To the Sole Manager of
Balance Sheet Solutions, LLC
Warrenville, IL

We have audited the accompanying statements of financial condition of Balance Sheet Solutions, LLC as of December 31, 2014 and 2013, and the related notes to the statements of financial condition.

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

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on these statements of financial condition 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 audits to obtain reasonable assurance about whether the statements of financial condition are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statements of financial condition. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statements of financial condition, 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 statements of financial condition 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 statements of financial condition. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the statements of financial condition referred to above present fairly, in all material respects, the financial position of Balance Sheet Solutions, LLC, as of December 31, 2014 and 2013, in accordance with accounting principles generally accepted in the United States of America.

*Orth, Chakler, Murnane & Co.*

Orth, Chakler, Murnane & Company
Certified Public Accountants
Miami, FL

**BALANCE SHEET SOLUTIONS, LLC**
**STATEMENTS OF FINANCIAL CONDITION**
**AS OF DECEMBER 31, 2014 AND 2013**

## ASSETS

| | As of December 31, | |
|---|---|---|
| ASSETS: | **2014** | **2013** |
| Cash | $16,433,222 | $16,651,602 |
| Prepaid and other assets | 1,015,404 | 951,618 |
| Property and equipment | 64,456 | 100,278 |
| Total assets | $17,513,082 | $17,703,498 |

## LIABILITIES AND EQUITY

| | As of December 31, | |
|---|---|---|
| | **2014** | **2013** |
| LIABILITIES: | | |
| Accrued expenses and other liabilities | 549,416 | 500,317 |
| Total liabilities | 549,416 | 500,317 |
| Commitments and contingent liabilities | | |
| EQUITY: | | |
| Contributed capital | 850,000 | 850,000 |
| Retained earnings | 16,113,666 | 16,353,181 |
| Total equity | 16,963,666 | 17,203,181 |
| Total liabilities and equity | $17,513,082 | $17,703,498 |

The accompanying notes are an integral
part of these statements of financial condition

## *NOTE 1: SIGNIFICANT ACCOUNTING POLICIES*

**NATURE OF BUSINESS**

Balance Sheet Solutions, LLC (the Company) was formed on October 10, 2002, as an Illinois limited liability company. The Company is an investment advisory registered with the Securities and Exchange Commission. The Company is a wholly owned subsidiary of Alloya Corporate Federal Credit Union (Alloya). The Company offers securities transactions through an alliance with CU Investment Solutions (ISI), a member of Financial Industry Regulation Authority and Securities Investor Protection Corporation, and nondiscretionary investment advisory services to its customers, principally credit unions. The Company also solicits time deposits for financial institutions through the SimpliCD program. In addition, the Company provides ALM Risk Modeling and auxiliary services as well as investment accounting and analytical services to credit unions. The Company operates a main office in Illinois, with service branches in California, Michigan, and New York.

The Company operated under the provisions of Paragraph (k)(2)(i) of Rule 15c3-3 of the SEC and, accordingly, was exempt from the remaining provisions of that Rule. Essentially, the requirements of Paragraph (k)(2)(i) provide that the Company clear all transactions on behalf of customers on a fully disclosed basis with a broker dealer. The clearing broker dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker dealer. The broker dealer accounts that moved to ISI are handled by their operations and designated clearing agents.

**USE OF ESTIMATES**

The preparation of the statements of financial condition in conformity with accounting principles generally accepted in the United States of America (GAAP/USA) 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 statements of financial condition and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CASH**

Cash includes amounts due from Alloya which may, at times, exceed federally insured limits.

**PROPERTY AND EQUIPMENT**

Property and equipment are carried at cost less accumulated depreciation. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the term of the lease, or the estimated life of the asset, whichever is less. The Company reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

**PAYABLE TO PARENT COMPANY**

The Company operates under a Master Services Agreement with Alloya. The payable to the parent company represents corporate support service expenses due to Alloya. **(See Note 4)**

*Note 1: (continued)*

**ACCRUED EXPENSES AND OTHER LIABILITIES**

Accrued expenses and other liabilities are mainly comprised of funds due to employees for compensation and benefits and certain other accrued expenses.

**INCOME TAXES**

As a single-member limited liability company (LLC), the Company is a flow-through entity, which provides that the LLC passes on all income and expenses to its parent company to be taxed at the parent company level. Alloya is a federally chartered credit union regulated by the National Credit Union Administration, with no tax liability under state or federal laws for itself and all subsidiaries, including the Company.

Accounting principles generally accepted in the United States of America require Company management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the statements of financial condition. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 3, 2015, the date the statements of financial condition were available to be issued. Management has not identified any items requiring recognition or disclosure.

## *NOTE 2: PROPERTY AND EQUIPMENT*

A summary of the Company's property and equipment is as follows:

| | As of December 31, | |
|---|---|---|
| | **2014** | **2013** |
| Computer equipment and software | $144,527 | $144,527 |
| Property and equipment | 52,834 | 52,834 |
| Leasehold improvements | 14,871 | 14,871 |
| | 212,232 | 212,232 |
| Less accumulated depreciation and amortization | (147,776) | (111,954) |
| | $64,456 | $100,278 |

## *NOTE 3: EMPLOYEE BENEFITS*

The employees of the Company participate in a 401(k) benefit plan sponsored by Alloya. Employee contributions are matched by the Company at a rate equal to 100 percent of the first four percent of compensation contributed. In addition, the Board of Directors of the parent company may approve a discretionary profit sharing contribution for eligible employees annually. The total savings plan expenses were approximately $130,000 and $113,000 for the years ended December 31, 2014 and 2013, respectively.

## *NOTE 4: RELATED PARTY TRANSACTIONS*

Under a Master Services Agreement, the Company, as an agent for Alloya, provides marketing services and introduces financial products to Alloya's members as well as provides certain other investment services. The Company also provides Investment Advisory services to Alloya, per a separate investment advisory services contract. Fee income paid by Alloya to the Company for services performed under these agreements was approximately $900,000 and $890,000 for the years ended December 31, 2014 and 2013, respectively.

The Master Services Agreement calls for Alloya to provide certain corporate support services to the Company such as telecommunication service, office rental, and treasury and accounting support. The Company incurred approximately $1,833,000 and $1,866,000 for these support services and costs for the years ended December 31, 2014 and 2013, respectively.

## *NOTE 5: COMMITMENTS AND CONTINGENT LIABILITIES*

### UNUSED LINE OF CREDIT

As of December 31, 2014, the Company maintained an unused line of credit with Alloya. Under this agreement, the Company may borrow up to a maximum of $15,000,000 but is limited to 97% of eligible collateral which is defined under the agreement as securities, other investments and cash held by the Company. As of December 31, 2014, the entire $15,000,000 was available.

### LEASE COMMITMENTS

The Company leases office space. As of December 31, 2014, the minimum noncancellable lease obligations under these agreements approximated the following:

| **Year ending December 31,** | |
|---|---|
| 2015 | $52,000 |
| 2016 | 22,000 |
| | $74,000 |

Rental expense under operating leases was approximately $53,000 and $50,000 for the years ended December 31, 2014 and 2013, respectively.

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