



17018293

Washington, D.C. 20549

ION

|  |              |
|--|--------------|
| OMB APPROVAL                                     |              |
| OMB Number:                                      | 3235-0123    |
| Expires:   | May 31, 2017 |
| Estimated average burden hours per response..... | 12.00        |

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

|                 |
|-----------------|
| SEC FILE NUMBER |
| 8-53091         |

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/16 AND ENDING 12/31/16  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: BERCHWOOD PARTNERS LLC

|                   |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM I.D. NO.     |

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

717 FIFTH AVENUE, 14TH FLOOR

NEW YORK

NY

10022

(City)

(State)

(Zip Code)

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

WILLIAM J ZWART

212-201-3929

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

GRASSI & CO., CPAS, P.C.

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

488 MADISON AVENUE

NEW YORK

NY

10022

(Address)

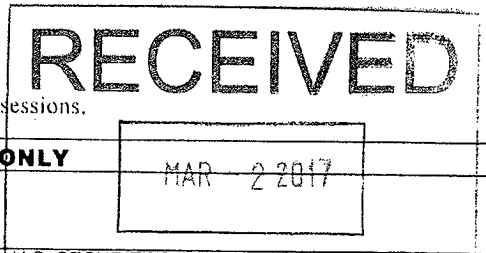
(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.



|                              |
|------------------------------|
| <b>FOR OFFICIAL USE ONLY</b> |
|                              |

\*Claims for exemption from the requirement that the annual report be covered by the U.S. SECURITIES AND EXCHANGE COMMISSION NEW YORK REGIONAL OFFICE public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. BROKER-DEALER INSPECTION PROGRAM a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OCB

**BERCHWOOD PARTNERS LLC AND AFFILIATE**

**REPORT INDEX**

**DECEMBER 31, 2016**

|  | <u>PAGE</u> |
|--|-------------|
| <b>FACING PAGE TO FORM X-17A-5</b>                             | <b>1</b>    |
| <b>AFFIRMATION</b>   | <b>2</b>    |
| <b>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</b> | <b>3</b>    |
| <b>CONSOLIDATING FINANCIAL STATEMENT:</b>                      |             |
| Consolidating Statement of Financial Condition                 | <b>4</b>    |
| Notes to the Consolidating Statement of Financial Condition    | <b>5</b>    |

OATH OR AFFIRMATION

WILLIAM J. ZWART

I, \_\_\_\_\_, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BERCHWOOD PARTNERS LLC \_\_\_\_\_, as of \_\_\_\_\_ DECEMBER 31 \_\_\_\_\_, 20 16 \_\_\_\_\_, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE

Clouse Beasley  
Notary Public

William J Zwart  
Signature  
COO/CEO  
Title

SWORN TO BEFORE ME THIS

DAY OF 1<sup>st</sup> March, 2017  
STATE OF NEW YORK

COUNTY OF New York N.Y.

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Members  
of Berchwood Partners LLC and Affiliate

We have audited the accompanying consolidating statement of financial condition of Berchwood Partners LLC and Affiliate (the "Company and Affiliate"), as of December 31, 2016. This consolidating financial statement is the responsibility of Berchwood Partners LLC and Affiliate's management. Our responsibility is to express an opinion on this consolidating financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial position. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidating statement of financial position presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidating statement of financial condition referred to above presents fairly, in all material respects, the consolidating financial position of Berchwood Partners LLC and Affiliates as of December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

*Grassi & Co., CPAs, P.C.*  
GRASSI & CO., CPAs, P.C.

New York, New York  
February 28, 2017

**BERCHWOOD PARTNERS LLC AND AFFILIATE**

**CONSOLIDATING STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2016**

| <u>ASSETS</u>  |                            |                              |                                   |                                   |
|--|----------------------------|------------------------------|-----------------------------------|-----------------------------------|
|  | <u>Total</u>               | <u>Eliminations</u>          | <u>BerchWood<br/>Partners LLC</u> | <u>BerchWood<br/>Partners LLP</u> |
| Cash and cash equivalents  | \$ 315,976                 | \$ -                         | \$ 311,952                        | \$ 4,024                          |
| Cash - restricted  | 89,756                     | -                            | 89,756                            | -                                 |
| Fees receivable  | 1,079,893                  | -                            | 96,200                            | 983,693                           |
| Property and equipment,<br>net of accumulated depreciation             | 27,174                     | -                            | 25,553                            | 1,621                             |
| Security deposit   | 40,296                     | -                            | -                                 | 40,296                            |
| Other assets   | 21,384                     | -                            | 14,248                            | 7,136                             |
| Investment in affiliate  | -                          | (85,982)                     | 85,982                            | -                                 |
| Due from affiliate   | -                          | (1,154,230)                  | 1,154,230                         | -                                 |
| <b>TOTAL ASSETS</b>  | <b><u>\$ 1,574,479</u></b> | <b><u>\$ (1,240,212)</u></b> | <b><u>\$ 1,777,921</u></b>        | <b><u>\$ 1,036,770</u></b>        |
| <br><u>LIABILITIES AND MEMBERS' EQUITY</u>                             |                            |                              |                                   |                                   |
| <b>LIABILITIES:</b>  |                            |                              |                                   |                                   |
| Accrued expenses   | \$ 191,702                 | \$ -                         | \$ 139,601                        | \$ 52,101                         |
| Retirement plan payable  | 27,152                     | -                            | 27,152                            | -                                 |
| Deferred rent liability  | 78,299                     | -                            | 62,460                            | 15,839                            |
| Deferred income taxes  | 6,000                      | -                            | 6,000                             | -                                 |
| Due to affiliate   | -                          | (1,154,230)                  | -                                 | 1,154,230                         |
| Total Liabilities  | <u>303,153</u>             | <u>(1,154,230)</u>           | <u>235,213</u>                    | <u>1,222,170</u>                  |
| <b>COMMITMENTS AND<br/>CONTINGENCIES</b>                               |                            |                              |                                   |                                   |
| <b>MEMBERS' EQUITY:</b>  |                            |                              |                                   |                                   |
| Members' Equity  | 1,581,525                  | (85,982)                     | 1,542,708                         | 124,799                           |
| Accumulated other comprehensive loss:                                  |                            |                              |                                   |                                   |
| Foreign currency translation loss,<br>net of \$0 deferred income taxes | (310,199)                  | -                            | -                                 | (310,199)                         |
| Total Members' Equity<br>(Deficiency)                                  | <u>1,271,326</u>           | <u>(85,982)</u>              | <u>1,542,708</u>                  | <u>(185,400)</u>                  |
| <b>TOTAL LIABILITIES<br/>AND MEMBERS' EQUITY</b>                       | <b><u>\$ 1,574,479</u></b> | <b><u>\$ (1,240,212)</u></b> | <b><u>\$ 1,777,921</u></b>        | <b><u>\$ 1,036,770</u></b>        |

See the accompanying Notes to Consolidating Financial Statements.

## BERCHWOOD PARTNERS LLC AND AFFILIATE

### NOTES TO THE CONSOLIDATING STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2016

---

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

##### Organization and Principles of Consolidation:

BerchWood Partners LLC (the "Company") was organized in New York on June 8, 2000, as a limited liability company. The Company wholly owns BerchWood Limited ("BerchWood Ltd."), which is a minority partner in BerchWood Partners LLP ("Affiliate"), both located in the United Kingdom ("UK"). The Company consolidates in its consolidating financial statements, the net assets, income and expenses of the Affiliate as it is determined to be a variable interest entity and has met the criteria of consolidation under accounting principles generally accepted in the United States of America. The Company is considered the primary beneficiary as it directs the activities of both entities. All significant inter-company transactions between the Company and the Affiliate have been eliminated in consolidation. BerchWood Ltd. had no operations during the year.

##### Principal Business Activity:

The Company is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is primarily engaged in raising capital for private equity and alternative U.S. and non-U.S. investment fund managers.

The Affiliate is registered with the UK Financial Conduct Authority ("FCA") formerly known as the Financial Services Authority ("FSA"). The Affiliate is engaged in raising capital for private equity and alternative investment fund managers in the UK and Continental Europe.

##### Basis of Presentation:

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

BERCHWOOD PARTNERS LLC AND AFFILIATE

NOTES TO THE CONSOLIDATING STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2016

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Use of Estimates:

The preparation of the consolidating financial statements in conformity 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.

Cash and Cash Equivalents:

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

Fees Receivable and Allowance for Doubtful Accounts:

The Company's and its Affiliate's fees receivable are recorded at amounts billed to customers, and presented on the Consolidating Statement of Financial Condition net of the allowance for doubtful accounts, if required. The allowance is determined by a variety of factors, including the age of the receivables, current economic conditions, historical losses and other information management obtains regarding the financial condition of customers. The policy for determining the past due status of receivables is based on how recently payments have been received. Receivables are charged off when they are deemed uncollectible, which may arise when customers file for bankruptcy or are otherwise deemed unable to repay the amounts owed to the Company and the Affiliate.

Property and Equipment:

Property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

BERCHWOOD PARTNERS LLC AND AFFILIATE

NOTES TO THE CONSOLIDATING STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2016

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

Income Taxes:

No provision is required for federal or state taxes on the income of the Company. Under the Internal Revenue Code and similar state regulations, the Company is treated as a partnership; accordingly, the income of the Company is taxed to the members. However, the Company is subject to the New York City Unincorporated Business Tax, and a provision has been reflected in the consolidating financial statements. Deferred income tax expense has been recognized in the consolidating financial statements primarily as a result of the Company being on a cash basis for tax purposes and relates primarily to fees receivable.

No provision is required for taxation on the profits of the Affiliate, which is a Limited Liability Partnership. Under UK tax legislation the Limited Liability Partnership is tax transparent. As a result, each member is assessed for income tax on its share of the Limited Liability Partnership's profits.

Foreign Currency Translation and Transactions:

Fees receivable denominated in foreign currencies are measured at the foreign exchange rate on the transaction date. At the balance sheet date and upon settlement, the receivable is re-measured at the then current rate

The accounts of the Affiliate are measured in its functional currency, which is the local currency (British Pounds) and translated into U.S. Dollars. All asset and liability accounts have been translated using the current rate of exchange at the balance sheet date.

**NOTE 2 - NET CAPITAL REQUIREMENTS:**

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The Company maintains minimum regulatory net capital, as defined, equal to the greater of \$5,000 or 6-2/3% of aggregate indebtedness, as defined.

At December 31, 2016, the Company had net capital of \$82,739 which was \$67,458 in excess of its required minimum net capital of \$15,281. The Company's ratio of aggregate indebtedness to net capital was 2.77 to 1.

The Company is exempt from SEC Rule 15c3-3 pursuant to exemptive provisions of sub-paragraph (k)(2)(i).



BERCHWOOD PARTNERS LLC AND AFFILIATE

NOTES TO THE CONSOLIDATING STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2016

---

**NOTE 3 - FEES RECEIVABLE:**

Two customers of the Affiliate represented approximately 69% and 22% of the fees receivable at December 31, 2016.

The fees receivable of \$1,079,893 comprise amounts due from four customers at December 31, 2016, two of which have different installment arrangements.

Fees receivable are expected to be collected as follows:

| <u>December 31,</u> |                     |
|---------------------|---------------------|
| 2017                | \$ 917,455          |
| 2018                | 70,960              |
| 2019                | 70,960              |
| 2020                | <u>38,745</u>       |
|                     | 1,098,120           |
| Less: Discounting   | <u>18,227</u>       |
|                     | <u>\$ 1,079,893</u> |

The Company does not recognize interest on past due receivables. The Company has not recorded an allowance for doubtful accounts nor had a balance in doubtful accounts at the beginning of the year. All receivables are considered to be performing and none are considered to be impaired. Fees receivable of \$251,920 which are in excess of one year have been discounted to present value using an effective rate of 3.75%.

**NOTE 4 - PROPERTY AND EQUIPMENT:**

Property and equipment were comprised of the following at December 31, 2016:

|                                |                  |
|--------------------------------|------------------|
| Equipment                      | \$ 116,561       |
| Furniture and fixtures         | <u>48,200</u>    |
|                                | 164,761          |
| Less: Accumulated depreciation | <u>137,587</u>   |
| Property and equipment, net    | <u>\$ 27,174</u> |

BERCHWOOD PARTNERS LLC AND AFFILIATE

NOTES TO THE CONSOLIDATING STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2016

---

NOTE 5 - COMMITMENTS AND CONTINGENCIES:

Operating Leases:

The Company's lease for its New York office space expires in May 2018. The Affiliate's lease for its UK office space expires in November 2017. The future minimum payments under both noncancellable operating leases are subject to additional rentals for increases in operating expenses and real estate taxes.

A deferred rent liability representing the cumulative difference between rent paid and the amount recognized under the straight-line method of accounting has been recorded.

Future minimum lease payments under the noncancellable operating leases (including Affiliate) at December 31, 2016 are as follows:

| <u>Years Ending December 31,</u> |                   |
|----------------------------------|-------------------|
| 2017                             | \$ 470,691        |
| 2018                             | <u>165,340</u>    |
| Total                            | <u>\$ 636,031</u> |

The Company is obligated to obtain an irrevocable stand-by letter of credit in lieu of the security deposit on the office in New York City. The letter of credit is collateralized by a restricted certificate of deposit and is shown in cash – restricted on the Consolidating Statement of Financial Condition.

Cash Credit Risk Concentration:

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

The Affiliate maintains cash in a foreign bank account in the UK in the amount of \$4,024 at December 31, 2016. The account is covered by the Financial Services Compensation Scheme for up to \$104,890.

**BERCHWOOD PARTNERS LLC AND AFFILIATE**

**NOTES TO THE CONSOLIDATING STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2016**

---

**NOTE 6 - RETIREMENT PLANS:**

The Company maintains a defined contribution 401(k) pension plan which covers all eligible members and employees.

In addition, the Company has a Profit Sharing Plan ("Plan") covering substantially all of its employees. Contributions to the Plan are at the discretion of the management.

**NOTE 7 - SUBSEQUENT EVENTS:**

The Company has evaluated events or transactions that occurred after December 31, 2016 through the date these financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure, other than \$95,000 of contributions made by members in January 2017.