Silvercrest Asset Management Group Inc.
Form 10-Q
August 03, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED June 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

Commission file number: 001-35733

Silvercrest Asset Management Group Inc.

(Exact name of registrant as specified in its charter)

Delaware	45-5146560
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

1330 Avenue of the Americas, 38th Floor

New York, New York 10019

(Address of principal executive offices and zip code)

(212) 649-0600

(Registrant's telephone number, including area code)

Not Applicable

(Formed name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
Emerging growth company		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of outstanding shares of the registrant's Class A common stock, par value $0.01 per share, and Class B common stock, par value $0.01 per share, as of August 1, 2017 was 8,107,101 and 4,852,711, respectively.

Except where the context requires otherwise and as otherwise set forth herein, in this report, references to the “Company”, “we”, “us” or “our” refer to Silvercrest Asset Management Group Inc. (“Silvercrest”) and its consolidated subsidiary, Silvercrest L.P., the managing member of our operating subsidiary (“Silvercrest L.P.” or “SLP”). SLP is a limited partnership whose existing limited partners are referred to in this report as “principals”.

Forward-Looking Statements

This report contains, and from time to time our management may make, forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. In some cases, you can identify these statements by forward-looking words such as “may”, “might”, “will”, “should”, “expects”, “intends”, “p “anticipates”, “believes”, “estimates”, “predicts”, “potential” or “continue”, the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions, may include projections of our future financial performance, future expenses, anticipated growth strategies, descriptions of new business initiatives and anticipated trends in our business or financial results. These statements are only predictions based on our current expectations and projections about future events. Important factors that could cause actual results, level of activity, performance or achievements to differ materially from those indicated by such forward-looking statements include but are not limited to: incurrence of net losses, fluctuations in quarterly and annual results, adverse economic or market conditions, our expectations with respect to future levels of assets under management, inflows and outflows, our ability to retain clients from whom we derive a substantial portion of our assets under management, our ability to maintain our fee structure, our particular choices with regard to investment strategies employed, our ability to hire and retain qualified investment professionals, the cost of complying with current and future regulation, coupled with the cost of defending ourselves from related investigations or litigation, failure of our operational safeguards against breaches in data security, privacy, conflicts of interest or employee misconduct, our expected tax rate, and our expectations with respect to deferred tax assets, adverse effects of management focusing on implementation of a growth strategy, failure to develop and maintain the Silvercrest brand and other factors disclosed under “Risk Factors” in our annual report on Form 10-K for the year ended December 31, 2016 which is accessible on the SEC’s website at www.sec.gov. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

Part I – Financial Information

Item 1. Financial Statements

Silvercrest Asset Management Group Inc.

Condensed Consolidated Statements of Financial Condition

(Unaudited)

(In thousands, except share and par value data)

	June 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	$30,015	$ 37,517
Investments	13	335
Receivables, net	5,465	6,270
Due from Silvercrest Funds	3,054	2,876
Furniture, equipment and leasehold improvements, net	2,585	2,411
Goodwill	25,168	25,168
Intangible assets, net	12,491	13,404
Deferred tax asset—tax receivable agreement	19,463	20,221
Prepaid expenses and other assets	3,352	4,079
Total assets	$101,606	$ 112,281
Liabilities and Equity		
Accounts payable and accrued expenses	$2,923	$ 4,485
Accrued compensation	13,232	23,797
Notes payable	1,654	2,486
Deferred rent	242	436
Deferred tax and other liabilities	15,170	14,993
Total liabilities	33,221	46,197
Commitments and Contingencies (Note 10)		
Equity		
Preferred Stock, par value $0.01, 10,000,000 shares authorized; none issued and outstanding, as of June 30, 2017 and December 31, 2016	—	—
Class A common stock, par value $0.01, 50,000,000 shares authorized; 8,107,101 and 8,074,197 issued and outstanding, as of June 30, 2017 and December 31, 2016, respectively	81	81
Class B common stock, par value $0.01, 25,000,000 shares authorized; 4,852,711 and 4,866,303 issued and outstanding, as of June 30, 2017 and December 31, 2016, respectively	48	48
Additional Paid-In Capital	41,428	41,260
Retained earnings	7,519	5,916
Total Silvercrest Asset Management Group Inc.'s equity	49,076	47,305

Non-controlling interests	19,309	18,779
Total equity	68,385	66,084
Total liabilities and equity	$101,606	$ 112,281

See accompanying notes to condensed consolidated financial statements.

Silvercrest Asset Management Group Inc.

Condensed Consolidated Statements of Operations

(Unaudited)

(In thousands, except share and per share data)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenue				
Management and advisory fees	$21,107	$18,403	$42,126	$36,737
Performance fees and allocations	10	—	10	—
Family office services	974	934	1,906	1,863
Total revenue	22,091	19,337	44,042	38,600
Expenses				
Compensation and benefits	13,030	11,782	26,110	23,224
General and administrative	3,907	4,050	8,031	8,247
Total expenses	16,937	15,832	34,141	31,471
Income before other (expense) income, net	5,154	3,505	9,901	7,129
Other (expense) income, net				
Other (expense) income, net	8	108	16	116
Interest income	11	15	22	32
Interest expense	(34)	(62)	(68)	(127)
Total other (expense) income, net	(15)	61	(30)	21
Income before provision for income taxes	5,139	3,566	9,871	7,150
Provision for income taxes	1,539	1,460	2,971	2,548
Net income	3,600	2,106	6,900	4,602
Less: net income attributable to non-controlling interests	(1,742)	(1,180)	(3,355)	(2,369)
Net income attributable to Silvercrest	$1,858	$926	$3,545	$2,233
Net income per share:				
Basic	$0.23	$0.12	$0.44	$0.28
Diluted	$0.23	$0.12	$0.44	$0.28
Weighted average shares outstanding:				
Basic	8,104,697	8,027,825	8,091,742	8,011,773
Diluted	8,111,930	8,034,686	8,100,640	8,015,203

See accompanying notes to condensed consolidated financial statements.

Silvercrest Asset Management Group Inc.

Condensed Consolidated Statements of Changes in Equity

(Unaudited)

(In thousands)

	Class A Common Stock Shares	Class A Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Total Silvercrest Asset Management Group Inc.'s Equity	Non-controlling Interest	Total Equity
January 1, 2016	7,990	$ 80	4,695	$ 46	$ 40,951	$ 4,758	$ 45,835	$ 15,802	$ 61,637
Distributions to partners	—	—	—	—	—	—	—	(4,415)	(4,415)
Repayment of notes receivable from partners	—	—	—	—	—	—	—	533	533
Contributions from partners	—	—	9	1	10	—	11	—	11
Equity-based compensation	—	—	5	—	—	—	—	1,588	1,588
Net Income	—	—	—	—	—	2,233	2,233	2,369	4,602
Accrued interest on notes receivable from partners	—	—	—	—	—	—	—	(29)	(29)
Share conversion	38	—	(38)	(1)	154	—	153	(154)	(1)
Deferred tax, net of amounts payable under tax receivable agreement	—	—	—	—	11	—	11	—	11
Dividends paid on Class A common stock - $0.24 per share	—	—	—	—	—	(1,922)	(1,922)	—	(1,922)
June 30, 2016	8,028	$ 80	4,671	$ 46	$ 41,126	$ 5,069	$ 46,321	$ 15,694	$ 62,015
January 1, 2017	8,074	$ 81	4,866	$ 48	$ 41,260	$ 5,916	$ 47,305	$ 18,779	$ 66,084
Distributions to partners	—	—	—	—	—	—	—	(4,642)	(4,642)
Repayment of notes receivable from partners	—	—	—	—	—	—	—	371	371
Equity-based compensation	5	—	2	—	26	—	26	1,589	1,615
Issuance of notes receivable	—	—	—	—	—	—	—	(165)	(165)
Issuance of Class B shares	—	—	13	—	—	—	—	165	165

Net Income	—	—	—	—	—	3,545	3,545	3,355	6,900
Deferred tax, net of amounts payable under tax receivable agreement	—	—	—	—	17	—	17	—	17
Accrued interest on notes receivable from partners	—	—	—	—	—	—	—	(18)	(18)
Share conversion	28	—	(28)	—	125	—	125	(125)	—
Dividends paid on Class A common stock - $0.24 per share	—	—	—	—	—	(1,942)	(1,942)	—	(1,942)
June 30, 2017	8,107	$ 81	4,853	$ 48	$ 41,428	$ 7,519	$ 49,076	$ 19,309	$ 68,385

See accompanying notes to condensed consolidated financial statements.

Silvercrest Asset Management Group Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Six months ended June 30,	
	2017	2016
Cash Flows From Operating Activities		
Net income	$ 6,900	$ 4,602
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Equity-based compensation	1,615	1,575
Depreciation and amortization	1,347	1,341
Deferred rent	(195)	(214)
Deferred income taxes	907	1,086
Tax receivable agreement adjustment	122	(100)
Non-cash interest on notes receivable from partners	(19)	(29)
Distributions received from investment funds	322	2
Cash flows due to changes in operating assets and liabilities:		
Receivables and due from Silvercrest Funds	627	874
Prepaid expenses and other assets	369	(645)
Accounts payable and accrued expenses	(562)	(432)
Accrued compensation	(10,565)	(11,084)
Interest payable on notes payable	58	105
Net cash provided by (used in) operating activities	926	(2,919)
Cash Flows From Investing Activities		
Restricted certificates of deposit and escrow	$ —	$ 507
Acquisition of furniture, equipment and leasehold improvements	(493)	(195)
Acquisition of Cappiccille & Company, LLC	—	(148)
Net cash (used in) provided by investing activities	(493)	164
Cash Flows From Financing Activities		
Earn-outs paid related to acquisitions completed on or after January 1, 2009	$ (756)	$ (630)
Repayments of notes payable	(890)	(1,031)
Payments on capital leases	(76)	(87)
Distributions to partners	(4,642)	(4,415)
Dividends paid on Class A common stock	(1,942)	(1,922)
Payments from partners on notes receivable	371	533
Net cash used in financing activities	(7,935)	(7,552)
Net decrease in cash and cash equivalents	(7,502)	(10,307)
Cash and cash equivalents, beginning of period	37,517	31,562
Cash and cash equivalents, end of period	$ 30,015	$ 21,255

	Six months ended June 30, 2017	2016
Supplemental Disclosures of Cash Flow Information		
Net cash paid during the period for:		
Income taxes	$ 1,182	$ 2,528
Interest	73	119
Supplemental Disclosures of Non-cash Financing and Investing Activities		
Recognition of deferred tax assets as a result of share conversions	$ 139	$ 152
Asset acquired under capital lease	163	—
Earnout accrual for acquisition of certain assets of Cappiccille & Company LLC	—	354
Note receivable from new partners issued for capital contribution to Silvercrest L.P.	165	120

See accompanying notes to condensed consolidated financial statements.

Silvercrest Asset Management Group Inc.

Notes to Condensed Consolidated Financial Statements

As of June 30, 2017 and December 31, 2016 and for the Three and Six Months ended June 30, 2017 and 2016

(Unaudited)

(Dollars in thousands, except per share and par value data)

1. ORGANIZATION AND BUSINESS

Silvercrest Asset Management Group Inc. (“Silvercrest”), together with its consolidated subsidiary, Silvercrest L.P., a limited partnership, (collectively the “Company”), was formed as a Delaware corporation on July 11, 2011. Silvercrest is a holding company that was formed in order to carry on the business of Silvercrest L.P., the managing member of our operating subsidiary, and its subsidiaries. Effective on June 26, 2013, Silvercrest became the sole general partner of Silvercrest L.P. and its only material asset is the general partner interest in Silvercrest L.P., represented by 8,107,101 Class A units or approximately 63% of the outstanding interests of Silvercrest L.P. Silvercrest controls all of the businesses and affairs of Silvercrest L.P. and, through Silvercrest L.P. and its subsidiaries, continues to conduct the business previously conducted by these entities prior to the reorganization.

Silvercrest L.P., together with its consolidated subsidiaries (collectively “SLP”), provides investment management and family office services to individuals and families and their trusts, and to endowments, foundations and other institutional investors primarily located in the United States of America. The business includes the management of funds of funds and other investment funds, collectively referred to as the “Silvercrest Funds”.

Silvercrest L.P. was formed on December 10, 2008 and commenced operations on January 1, 2009.

On March 11, 2004, Silvercrest Asset Management Group LLC (“SAMG LLC”) acquired 100% of the outstanding shares of James C. Edwards Asset Management, Inc. (“JCE”) and subsequently changed JCE’s name to Silvercrest Financial Services, Inc. (“SFS”). On December 31, 2004, SLP acquired 100% of the outstanding shares of the LongChamp Group, Inc. (now SAM Alternative Solutions, Inc.) (“LGI”). Effective March 31, 2005, SLP entered into an Asset Contribution Agreement with and acquired all of the assets, properties, rights and certain liabilities of Heritage Financial Management, LLC (“HFM”). Effective October 3, 2008, SLP acquired 100% of the outstanding limited liability company interests of Marathon Capital Group, LLC (“MCG”) through a limited liability company interest purchase agreement dated September 22, 2008. On November 1, 2011, SLP acquired certain assets of Milbank Winthrop & Co. (“Milbank”). On April 1, 2012, SLP acquired 100% of the outstanding limited liability company interests of MW Commodity Advisors, LLC (“Commodity Advisors”). On March 28, 2013, SLP acquired certain assets of Ten-Sixty Asset Management, LLC (“Ten-Sixty”). On June 30, 2015, SLP acquired certain assets of Jamison, Eaton & Wood, Inc. (“Jamison”). On January 11, 2016, SLP acquired certain assets of Cappiccille & Company, LLC (“Cappiccille”). See Notes 3, 7 and 8 for additional information related to the acquisition, goodwill and intangible assets arising from these acquisitions.

Tax Receivable Agreement

In connection with the Company’s initial public offering (the “IPO”) and reorganization of SLP that were completed on June 26, 2013, Silvercrest entered into a tax receivable agreement (the “TRA”) with the partners of SLP that requires it to pay them 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that it actually realizes (or are deemed to realize in the case of an early termination payment by it, or a change in control) as a result of the increases in tax basis and certain other tax benefits related to entering into the TRA, including tax benefits attributable to payments under the TRA. The payments to be made pursuant to the tax receivable agreement are a liability of Silvercrest and not Silvercrest L.P., and thus this liability has been recorded as an “other liability” on our Condensed Consolidated Statement of Financial Condition. As of June 30, 2017, this liability is estimated to be $14,546 and is included in deferred tax and other liabilities in the Condensed Consolidated Statements of Financial Condition. Silvercrest expects to benefit from the remaining 15% of cash savings, if any, realized.

The TRA was effective upon the consummation of the IPO and will continue until all such tax benefits have been utilized or expired, unless Silvercrest exercises its right to terminate the TRA for an amount based on an agreed upon value of the payments remaining to be made under the agreement. The TRA will automatically terminate with respect to Silvercrest’s obligations to a partner if a partner (i) is terminated for cause, (ii) breaches his or her non-solicitation covenants with Silvercrest or any of its subsidiaries or (iii) voluntarily resigns or retires and competes with Silvercrest or any of its subsidiaries in the 12-month period following resignation of employment or retirement, and no further payments will be made to such partner under the TRA.

For purposes of the TRA, cash savings in income tax will be computed by comparing Silvercrest’s actual income tax liability to the amount of such taxes that it would have been required to pay had there been no increase in its share of the tax basis of the tangible and intangible assets of SLP.

Estimating the amount of payments that Silvercrest may be required to make under the TRA is imprecise by nature, because the actual increase in its share of the tax basis, as well as the amount and timing of any payments under the TRA, will vary depending upon a number of factors, including:

- the timing of exchanges of Silvercrest's Class B units for shares of Silvercrest's Class A common stock—for instance, the increase in any tax deductions will vary depending on the fair market value, which may fluctuate over time, of the depreciable and amortizable assets of SLP at the time of the exchanges;
- the price of Silvercrest's Class A common stock at the time of exchanges of Silvercrest's Class B units—the increase in Silvercrest's share of the basis in the assets of SLP, as well as the increase in any tax deductions, will be related to the price of Silvercrest's Class A common stock at the time of these exchanges;
- the extent to which these exchanges are taxable—if an exchange is not taxable for any reason (for instance, if a principal who holds Silvercrest's Class B units exchanges units in order to make a charitable contribution), increased deductions will not be available;
- the tax rates in effect at the time Silvercrest utilizes the increased amortization and depreciation deductions; and
- the amount and timing of Silvercrest's income—Silvercrest will be required to pay 85% of the tax savings, as and when realized, if any. If Silvercrest does not have taxable income, it generally will not be required to make payments under the TRA for that taxable year because no tax savings will have been actually realized.

In addition, the TRA provides that, upon certain mergers, asset sales, other forms of business combinations or other changes of control, Silvercrest's (or its successors') obligations with respect to exchanged or acquired Silvercrest Class B units (whether exchanged or acquired before or after such transaction) would be based on certain assumptions, including that Silvercrest would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the TRA.

Decisions made by the continuing partners of SLP in the course of running Silvercrest's business, such as with respect to mergers, asset sales, other forms of business combinations or other changes in control, may influence the timing and amount of payments that are received by an exchanging or selling principal under the TRA. For example, the earlier disposition of assets following an exchange or acquisition transaction will generally accelerate payments under the TRA and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase an existing owner's tax liability without giving rise to any rights of a principal to receive payments under the TRA.

Were the IRS to successfully challenge the tax basis increases described above, Silvercrest would not be reimbursed for any payments previously made under the TRA. As a result, in certain circumstances, Silvercrest could make payments under the TRA in excess of its actual cash savings in income tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying Condensed Consolidated Financial Statements include the accounts of Silvercrest and SLP, including its wholly owned subsidiaries, Silvercrest Asset Management Group LLC ("SAMG"), SFS, MCG, Silvercrest Investors LLC, Silvercrest Investors II LLC and Silvercrest Investors III LLC as of June 30, 2017 and December 31, 2016 and for the three and six months ended June 30, 2017 and 2016. All intercompany transactions and balances have been eliminated.

The Condensed Consolidated Statement of Financial Condition at December 31, 2016 was derived from the audited Consolidated Statement of Financial Condition at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. The results of operations for the three and six months ended June 30, 2017 and 2016 are not necessarily indicative of the operating results that may be expected for the full fiscal year ending December 31, 2017 and 2016 or any future period.

The Condensed Consolidated Financial Statements of the Company included herein are unaudited and have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of the interim financial position and results, have been made. The Company's Condensed Consolidated Financial Statements and the related notes should be read together with the Consolidated Financial Statements and the related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

The Company evaluates for consolidation those entities it controls through a majority voting interest or otherwise, including those Silvercrest Funds over which the general partner or equivalent is presumed to have control, e.g. by virtue of the limited partners not being able to remove the general partner. The initial step in the Company's determination of whether a fund for which SLP is the general partner is required to be consolidated is assessing whether the fund is a variable interest entity or a voting interest entity.

SLP then considers whether the fund is a voting interest entity ("VoIE") in which the unaffiliated limited partners have substantive "kick-out" rights that provide the ability to dissolve (liquidate) the limited partnership or otherwise remove the general partner without cause. SLP considers the "kick-out" rights to be substantive if the general partner for the fund can be removed by the vote of a simple majority of the unaffiliated limited partners and there are no significant barriers to the unaffiliated limited partners' ability to exercise these rights in that among other things, (1) there are no conditions or timing limits on when the rights can be exercised, (2) there are no financial or operational barriers associated with replacing the general partner, (3) there are a number of qualified replacement investment advisors that would accept appointment at the same fee level, (4) each fund's documents provide for the ability to call and conduct a vote, and (5) the information necessary to exercise the kick-out rights and related vote are available from the fund and its administrator.

If the fund is a variable interest entity, SLP then determines whether it has a variable interest in the fund, and if so, whether SLP is the primary beneficiary.

During the three and six months ended June 30, 2017 and 2016, each fund is deemed to be a VoIE and neither SLP nor Silvercrest consolidated any of the Silvercrest Funds.

Non-controlling Interest

As of June 30, 2017, Silvercrest holds approximately 63% of the economic interests in SLP. Silvercrest is the sole general partner of SLP and, therefore, controls the management of SLP. As a result, Silvercrest consolidates the financial position and the results of operations of SLP and its subsidiaries, and records a non-controlling interest, as a separate component of equity on its Condensed Consolidated Statements of Financial Condition for the remaining economic interests in SLP. The non-controlling interest in the income or loss of SLP is included in the Condensed Consolidated Statements of Operations as a reduction or addition to net income derived from SLP.

Segment Reporting

The Company views its operations as comprising one operating segment. Each of the Company's acquired businesses has similar economic characteristics and has been or is in the process of being fully integrated. Furthermore, our chief operating decision maker, who is the Company's Chief Executive Officer, monitors and reviews financial information at a consolidated level for assessing operating results and the allocation of resources.

Use of Estimates

The preparation of the Condensed Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues, expenses and other income reported in the Condensed Consolidated Financial Statements and the accompanying notes. Actual results could differ from those estimates. Significant estimates and assumptions made by management include the fair value of acquired assets and liabilities, determination of equity-based compensation, accounting for income taxes, determination of the useful lives of long-lived assets and other matters that affect the Condensed Consolidated Financial Statements and related disclosures.

Cash and Cash Equivalents

The Company considers all highly liquid securities with original maturities of 90 days or less when purchased to be cash equivalents.

Equity Method Investments

Entities and investments, the activities over which the Company exercises significant influence, but which do not meet the requirements for consolidation, are accounted for using the equity method of accounting, whereby the Company records its share of the underlying income or losses of these entities. Intercompany profit arising from transactions with affiliates is eliminated to the extent of its beneficial interest. Equity in losses of equity method investments is not recognized after the carrying value of an investment, including advances and loans, has been reduced to zero, unless guarantees or other funding obligations exist.

The Company evaluates its equity method investments for impairment, whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable. The difference between the carrying value of the equity method investment and its estimated fair value is recognized as an impairment when the loss in value is deemed other than temporary. The Company’s equity method investments approximate their fair value at June 30, 2017 and December 31, 2016. The fair value of the equity method investments is estimated based on the Company’s share of the fair value of the net assets of the equity method investee. No impairment charges related to equity method investments were recorded during the three and six months ended June 30, 2017 or 2016.

Receivables and Due from Silvercrest Funds

Receivables consist primarily of amounts for advisory fees due from clients, management fees and family office services fees, and are stated as net realizable value. The Company maintains an allowance for doubtful receivables based on estimates of expected losses and specific identification of uncollectible accounts. The Company charges actual losses to the allowance when incurred.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements consist primarily of furniture, fixtures and equipment, computer hardware and software and leasehold improvements and are recorded at cost less accumulated depreciation. Depreciation and amortization are calculated using the straight-line method over the assets’ estimated useful lives, which for leasehold improvements is the lesser of the lease term or the life of the asset, generally 10 years, and 3 to 7 years for other fixed assets.

Business Combinations

The Company accounts for business combinations using the acquisition method of accounting. The acquisition method of accounting requires that the purchase price, including the fair value of contingent consideration, of the acquisition be allocated to the assets acquired and liabilities assumed using the fair values determined by management as of the acquisition date. Contingent consideration is recorded as part of the purchase price when such contingent consideration is not based on continuing employment of the selling shareholders. Contingent consideration that is related to continuing employment is recorded as compensation expense. Payments made for contingent consideration recorded as part of an acquisition’s purchase price are reflected as financing activities in the Company’s Condensed Consolidated Statements of Cash Flows.

The Company remeasures the fair value of contingent consideration at each reporting period using a probability-adjusted discounted cash flow method based on significant inputs not observable in the market and any change in the fair value from either the passage of time or events occurring after the acquisition date, is recorded in earnings. Contingent consideration payments that exceed the acquisition date fair value of the contingent consideration are reflected as an operating activity in the Condensed Consolidated Statements of Cash Flows.

The excess of the purchase price over the fair value of the identifiable assets acquired, including intangibles, and liabilities assumed is recorded as goodwill. The Company generally uses valuation specialists to perform appraisals and assist in the determination of the fair values of the assets acquired and liabilities assumed. These valuations require management to make estimates and assumptions that are critical in determining the fair values of the assets and liabilities. During the measurement period, the Company may record adjustments to the assets acquired and liabilities assumed. Any adjustments to provisional amounts that are identified during the measurement period are recorded in the reporting period in which the adjustment amounts are determined. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Goodwill and Intangible Assets

Goodwill consists of the excess of the purchase price over the fair value of identifiable net assets of businesses acquired. Goodwill is not amortized and is generally evaluated for impairment using a two-step process that is performed at least annually, or whenever events or circumstances indicate that impairment may have occurred.

The Company accounts for Goodwill under Accounting Standard Codification ("ASC") No. 350, "Intangibles - Goodwill and Other," which provides an entity the option to first perform a qualitative assessment of whether a reporting unit's fair value is more likely than not less than its carrying value, including goodwill. In performing its qualitative assessment, an entity considers the extent to which adverse events or circumstances identified, such as changes in economic conditions, industry and market conditions or entity specific events, could affect the comparison of the reporting unit's fair value with its carrying amount. If an entity concludes that the fair value of a reporting unit is more likely than not less than its carrying amount, the entity is required to perform the currently prescribed two-step goodwill impairment test to identify potential goodwill impairment and, accordingly, measure the amount, if any, of goodwill impairment loss to be recognized for that reporting unit. The Company utilized this option when performing its annual impairment assessment in 2016 and 2015, and concluded that its single reporting unit's fair value was more likely than not greater than its carrying value, including goodwill.

The Company has one reporting unit at June 30, 2017 and December 31, 2016. No goodwill impairment charges were recorded during the three and six months ended June 30, 2017 and 2016.

Identifiable finite-lived intangible assets are amortized over their estimated useful lives ranging from 3 to 20 years. The method of amortization is based on the pattern over which the economic benefits, generally expected undiscounted cash flows, of the intangible asset are consumed. Intangible assets for which no pattern can be reliably determined are amortized using the straight-line method. Intangible assets consist primarily of the contractual right to future management, advisory and performance fees from customer contracts or relationships.

Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the net carrying amount of the asset may not be recoverable. In connection with such review, the Company also reevaluates the periods of depreciation and amortization for these assets. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value.

Partner Distributions

Partner incentive allocations, which are determined by the general partner, can be formula-based or discretionary. Partner incentive allocations are treated as compensation expense and recognized in the period in which they are earned. In the event there is insufficient distributable cash flow to make incentive distributions, the general partner in its sole and absolute discretion may determine not to make any distributions called for under the partnership agreement. The remaining net income or loss after partner incentive allocations is generally allocated to unit holders based on their pro rata ownership.

Redeemable Partnership Units

If a principal of SLP is terminated for cause, SLP has the right to redeem all of the vested Class B units collectively held by the principal and his or her permitted transferees for a purchase price equal to the lesser of (i) the aggregate capital account balance in SLP of the principal and his or her permitted transferees or (ii) the purchase price paid by the terminated principal to first acquire the Class B units.

SLP also makes distributions to its partners of various nature including incentive payments, profit distributions and tax distributions. The profit distributions and tax distributions are accounted for as equity transactions.

Class A Common Stock

The Company's Class A stockholders are entitled to one vote for each share held of record on all matters submitted to a vote of the Company's stockholders. Also, Class A stockholders are entitled to receive dividends, when and if declared by the Company's board of directors, out of funds legally available therefor, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding preferred stock. Dividends consisting of shares of Class A common stock may be paid only as follows: (i) shares of Class A common stock may be paid only to holders of shares of Class A common stock and (ii) shares will be paid proportionately with respect to each outstanding share of the Company's Class A common stock. Upon the Company's liquidation, dissolution or winding-up, or the sale of all, or substantially all, of the Company's assets, after payment in full of all amounts required to be paid to creditors and to holders of preferred stock having a liquidation preference, if any, the Class A stockholders will be entitled to share ratably in the Company's remaining assets available for distribution to Class A stockholders. Class B units of SLP held by principals will be exchangeable for shares of the Company's Class A common stock, on a one-for-one basis, subject to customary adjustments for share splits, dividends and reclassifications.

Class B Common Stock

Shares of the Company's Class B common stock are issuable only in connection with the issuance of Class B units of SLP. When a vested or unvested Class B unit is issued by SLP, the Company will issue the holder one share of its Class B common stock in exchange for the payment of its par value. Each share of the Company's Class B common stock will be redeemed for its par value and cancelled by the Company if the holder of the corresponding Class B unit exchanges or forfeits its Class B unit pursuant to the terms of the Second Amended and Restated Limited Partnership Agreement of SLP and the terms of the Silvercrest Asset Management Group Inc. 2012 Equity Incentive Plan (the "2012 Equity Incentive Plan"). The Company's Class B stockholders will be entitled to one vote for each share held of record on all matters submitted to a vote of the Company's stockholders. The Company's Class B stockholders will not participate in any dividends declared by the Company's board of directors. Upon the Company's liquidation, dissolution or winding-up, or the sale of all, or substantially all, of its assets, Class B stockholders only will be entitled to receive the par value of the Company's Class B common stock.

Revenue Recognition

Revenue is recognized ratably over the period in which services are performed. Revenue consists primarily of investment advisory fees, family office services fees and fund management fees. Investment advisory fees, which are earned pursuant to the terms of the underlying advisory contract, are typically billed quarterly in advance at the beginning of the quarter or in arrears after the end of the quarter, based on a contractually specified percentage of the assets managed. For investment advisory fees billed in advance, the value of assets managed is determined based on the value of the customer's account as of the last trading day of the preceding quarter. For investment advisory fees billed in arrears, the value of assets managed is determined based on the value of the customer's account on the last day of the quarter being billed. Family office services fees are typically billed quarterly in advance at the beginning of the quarter or in arrears after the end of the quarter based on a contractual percentage of the assets managed or based on a fixed fee arrangement. Management fees from proprietary and non-proprietary funds are calculated as a percentage of net asset values measured at the beginning of a month or quarter or at the end of a quarter, depending on the fund.

The Company accounts for performance based revenue in accordance with ASC No. 605-20-S99, "Accounting for Management Fees Based on a Formula", by recognizing performance fees and allocations as revenue only when it is certain that the fee income is earned and payable pursuant to the relevant agreements, and no contingencies remain. Performance fee contingencies are typically resolved at the end of each annual period. In certain arrangements, the Company is only entitled to receive performance fees and allocations when the return on assets under management exceeds certain benchmark returns or other performance targets.

Equity-Based Compensation

Equity-based compensation cost relating to the issuance of share-based awards to employees is based on the fair value of the award at the date of grant, which is expensed ratably over the requisite service period, net of estimated forfeitures. The forfeiture assumption is ultimately adjusted to the actual forfeiture rate. Therefore, changes in the forfeiture assumptions may affect the timing of the total amount of expense recognized over the vesting period. The service period is the period over which the employee performs the related services, which is normally the same as the vesting period. Equity-based awards that do not require future service are expensed immediately. Equity-based awards that have the potential to be settled in cash at the election of the employee or prior to the reorganization related to redeemable partnership units are classified as liabilities ("Liability Awards") and are adjusted to fair value at the end of each reporting period.

Leases

The Company expenses the net lease payments associated with operating leases on a straight-line basis over the respective lease term, including any rent-free periods. Leasehold improvements are recorded at cost and are depreciated using the straight-line method over the lesser of the estimated useful lives of the improvements (generally 10 years) or the remaining lease term.

Income Taxes

Silvercrest and SFS are subject to federal and state corporate income tax, which requires an asset and liability approach to the financial accounting and reporting of income taxes. SLP is not subject to federal and state income taxes, since all income, gains and losses are passed through to its partners. SLP is, however, subject to New York City unincorporated business tax. With respect to the Company's incorporated entities, the annual tax rate is based on the income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which the Company operates. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Judgment is required in determining the tax expense and in evaluating tax positions. The tax effects of an uncertain tax position (“UTP”) taken or expected to be taken in income tax returns are recognized only if it is “more likely-than-not” to be sustained on examination by the taxing authorities, based on its technical merits as of the reporting date. The tax benefits recognized in the Condensed Consolidated Financial Statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company recognizes estimated accrued interest and penalties related to UTPs in income tax expense.

The Company derecognizes the benefit of a UTP in the period when it is effectively settled. Previously recognized tax positions are derecognized in the first period in which it is no longer more likely than not that the tax position would be sustained upon examination.

Recent Accounting Developments

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers”, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers.” ASU No. 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP. Originally, ASU No. 2014-09, as amended by ASU 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20, was to become effective on January 1, 2017, but the effective date has been deferred for one year. Early adoption is permitted as of the original effective date. The new standard permits the use of either the retrospective or cumulative effect transition method. The new standard will require additional disclosures to provide better clarity about the nature, timing and potential uncertainties of the revenue that is recognized. The Company is evaluating the effect that ASU No. 2014-09 will have on the Condensed Consolidated Financial Statements and related disclosures. The Company has not yet selected a transition method nor determined the impact of adoption of this standard on its Condensed Consolidated Financial Statements. The Company plans on using the cumulative effect method upon adoption of this guidance, which is expected to result in an increase in the revenue disclosures in the Condensed Consolidated Financial Statements, but not expected to have a material impact to the revenue amounts recognized on the condensed consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments—Overall (Topic 825-10): "Recognition and Measurement of Financial Assets and Financial Liabilities." Although the ASU retains many current requirements, it significantly revises an entity’s accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. The ASU also amends certain disclosure requirements associated with the fair value of financial instruments. Some of the amendments in ASU 2016-01 include the following: (1) requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (2) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; (3) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; and (4) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value, among others. ASU 2016-01 will be effective on January 1, 2018. The Company is in the process of evaluating the impact of adoption of this guidance on its Condensed Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842).” This amendment introduces a lessee model that brings most leases on the balance sheet. The new standard also aligns many of the underlying principles of the new lessor model with those in ASC 606, the FASB’s new revenue recognition standard (e.g., those related to evaluating when profit can be recognized). Furthermore, the ASU addresses other concerns related to the current lease accounting model. This amendment is effective for all entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is in the process of evaluating the impact of the adoption of this guidance on its