

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



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

RECEIVED  
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SEC FILE NUMBER  
8- 51622

FACING PAGE 388  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

3/15/02 FV

REPORT FOR THE PERIOD BEGINNING JANUARY 1, 2001 AND ENDING DECEMBER 31, 2001  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

SCH ENTERPRISES, INC.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

23 N. GREEN STREET, STE. B

(No. and Street)

BROWNSBURG

INDIANA

46112

(City)

(State)

(Zip Code)

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

STEVE HEINEKAMP

(317) 852-8184

(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

PRICE & GARTRELL, P.C.

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

8465 KEYSTONE CROSSING, STE. 195

INDIANAPOLIS

IN

46240

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

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

PROCESSED  
MAR 22 2002

THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

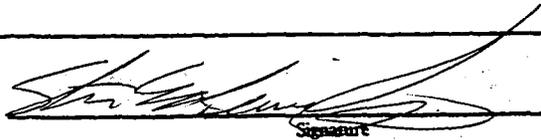
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

3/22/02

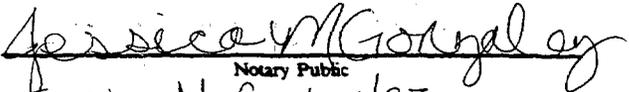
OATH OR AFFIRMATION

I, STEVE HEINEKAMP, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SCH ENTERPRISES, INC., as of DECEMBER 31, 192001, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Signature

PRINCIPAL FINANCIAL OFFICER  
Title

  
Notary Public  
Jessica M. Gonzalez  
Notary Public  
County of Residence Hendricks

My commission expires November 29, 2009

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 Proprietor's 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.
- (o) Independent Auditor's Report on Internal Accounting Control.

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

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# PRICE & GARTRELL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholder  
SCH Enterprises, Inc.  
Indianapolis, Indiana

## Independent Auditor's Report

We have audited the accompanying statement of financial condition of SCH Enterprises, Inc. as of December 31, 2001 and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of SCH Enterprises, Inc. as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements, taken as a whole. The information contained on page 8 through 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a - 5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



PRICE & GARTRELL, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

FEBRUARY 4, 2002

Stephen D. Price, C.P.A.  
H. Lynn Gartrell, C.P.A.

Joseph G. Miller, Jr., C.P.A.  
Frank T. Crislip, Jr., C.P.A.

SCH ENTERPRISES, INC.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2001

ASSETS

Cash	\$ 9,322
Prepaid expenses	
Investment – 400 shares of the NASD Stock Market, Inc. at cost	<u>4,600</u>
Total assets	<u>\$ 13,922</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities	<u>\$ 0</u>
Stockholder's equity:	
Common stock, authorized, 1,000 shares no par, issued and outstanding 250 shares	9,500
Retained earnings	<u>4,422</u>
Total stockholder's equity	<u>13,922</u>
Total liabilities and stockholder's equity	<u>\$ 13,922</u>

See accompanying notes to financial statements.

SCH ENTERPRISES, INC.  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2001

REVENUE	
Sales commission	\$ 133,029
Interest income	<u>418</u>
	<u>133,447</u>
EXPENSES	
Compensation and benefits	32,396
Professional fees	2,516
Occupancy (net of sharing agreement)	4,800
Administrative expenses	<u>23,825</u>
	<u>63,537</u>
NET INCOME	<u>\$ 69,910</u>

See accompanying notes to financial statements.

SCH ENTERPRISES, INC.  
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Common Stock</u>	<u>Retained Earnings</u>
Balance at January 1, 2001	\$ 9,500	\$ 5,212
Net income		69,910
Dividends paid		(70,700)
Balance at December 31, 2001	<u>\$ 9,500</u>	<u>\$ 4,422</u>

See accompanying notes to financial statements.

SCH ENTERPRISES, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2001

Operating Activities	
Net income	\$ 69,910
Adjustments to reconcile net income to cash provided by operating activities:	
Decrease in payroll tax liabilities	<u>(45)</u>
Cash provided by operating activities	69,865
 Financing Activity	
Dividends paid	<u>(70,700)</u>
 Decrease in cash	(835)
 Cash at beginning of year	<u>10,157</u>
 Cash at end of year	<u>\$ 9,322</u>

See accompanying notes to financial statements.

SCH ENTERPRISES, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

SCH Enterprises, Inc. (the "Company") was organized and incorporated on April 1, 1999, and is engaged in and doing business as a \$5,000 broker-dealer.

The preparation of financial statements in conformity with generally accepted accounting principles 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.

INCOME TAXES

Federal income taxes have not been provided because the stockholders elected to be treated to an S Corporation for income tax purposes as provided in Section 1362(a) of the Internal Revenue Code. As such, the corporate income or loss and credits are passed to the stockholders and combined with his personal income and deductions to determine taxable income on his individual tax returns. The election continues unless the Company becomes disqualified or until the election is revoked voluntarily. The Company has been an S Corporation since inception and therefore is not subject to the built-in gains tax on the sale of any of its assets.

REVENUE

Fees and commissions are recognized when the applicable transaction is completed.

2. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission 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. At December 31, 2001, the Company had net capital of \$ 9,322 which was \$ 4,322 in excess of its required net capital of \$5,000. The Company's net capital ratio was 0 to 1.

SCH ENTERPRISES, INC.  
NOTES TO FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2001

3. LEASES

The Company is obligated under an operating lease for its office facilities. Rent expense for 2001 was \$ 4,800 (net of expense sharing agreement). Future minimum obligations on the lease in effect at December 31, 2001 are:

2002	\$ 7,272
2003	7,563
2004	<u>5,841</u>
	<u>\$ 20,676</u>

SCH ENTERPRISES, INC.  
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2001

Total Shareholder's Equity Qualified for Net Capital	\$ 13,922
Deductions – investment	<u>(4,600)</u>
Net Capital	<u><u>\$ 9,322</u></u>

SCH ENTERPRISES, INC.  
COMPUTATION OF BASIC NET CAPITAL UNDER RULE 15c3-1 OF THE  
SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2001

Aggregate Indebtedness	
Included in statement of financial condition	
Payroll tax liabilities	<u>\$          0</u>
Computation of Basic Net Capital Requirement	
Minimum net capital required (6 2/3% of aggregate indebtedness)	<u>\$          0</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$         5,000</u>
Net capital requirement	<u>\$         5,000</u>
Excess net capital	<u>\$         4,322</u>
Excess net capital at 1,000%	<u>\$         9,322</u>
Ratio: Aggregate indebtedness to net capital	<u>          0 to 1</u>

SCH ENTERPRISES, INC.  
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE  
SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2001

Reconciliation with Company's Computation  
(included in Part IIA of Form X-17A-5  
as of December 31, 2001)

Net capital, as reported in Company's Part IIA  
(Unaudited) FOCUS report as amended \$ 9,322

Net capital per page 8 \$ 9,322

# PRICE & GARTRELL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of  
SCH Enterprises, Inc.  
Indianapolis, Indiana

In planning and performing our audit of the financial statements of SCH Enterprises, Inc. for the year ended December 31, 2001, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

As required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and procedures determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry security accounts or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial function relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practice and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected.

Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.



PRICE & GARTRELL, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

February 4, 2002