

SECURITIES

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COMMISSION

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

FACING PAGE

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

FDS/2/02

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: ~~Rick Spencer & Associates~~

REGISTERED NAME: RICHARD SPENCER RICHARD PAYNE JR

OFFICIAL USE ONLY
FIRM ID. NO.

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

140 South Lake Avenue, Suite #308

(No. and Street)

Pasadena

California

91101

(City)

(State)

(Zip Code)

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

R.P. Spencer, Jr.

626-405-8068

(Area Code - Telephone No.)

## B. ACCOUNTANT IDENTIFICATION

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

Norman K. Metcalf, CPA

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

3436 N. Verdugo Road, #101, Glendale, CA 91208

(Address)

(City)

(State)

Zip Code

PROCESSED

MAR 28 2002

P. THOMSON FINANCIAL

CHECK ONE:

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

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).

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3-26-02

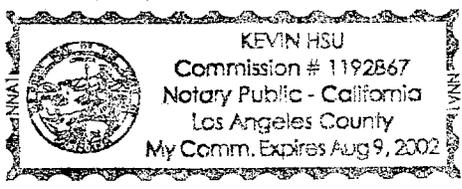
OATH OR AFFIRMATION

I, R.P. Spencer, Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Dick Spencer & Associates, as of December 31, 2001, 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.

Signature: [Handwritten Signature]
Owner
Title

Notary Public: Kevin Hsu



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.

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

The report did not contain items f, h, i, j, k and m because they were not applicable to Dick Spencer & Associates.

**R. P. SPENCER, JR. d.b.a.**

**DICK SPENCER & ASSOCIATES**

**AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL  
SCHEDULE**

**DECEMBER 31, 2001**

**METCALF & SCOTT**  
ACCOUNTANCY CORPORATION

P.O. BOX 394 MONTROSE, CA 91021-0394

February 25, 2002

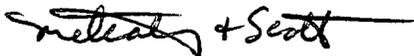
R. P. Spencer, Jr., d.b.a.  
Dick Spencer and Associates

We have audited the accompanying balance sheet of Dick Spencer and Associates (a proprietorship) as of December 31, 2001, and the related statements of income and proprietor's capital 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 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 position of Dick Spencer and Associates 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of computation of net capital under rule 15c 3-1 as of December 31, 2001 is presented for purposes of complying with the format required by the Form X-17A-5 FOCUS IIA to be filed with the Securities and Exchange Commission, and is not a required part of the financial statements. The supplemental schedule has been subjected to the auditing procedures applied in our audit of the 2001 financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2001 financial statements taken as a whole.



Metcalf & Scott  
Accountancy Corporation

R. P. Spencer Jr., d.b.a.  
DICK SPENCER AND ASSOCIATES  
Balance Sheet  
December 31, 2001

**ASSETS**

Current assets:

Cash	\$ 3,761
Cash - business reserves	15,925
Accounts receivable - trade	<u>-</u>
Total current assets	<u>19,685</u>

Property and equipment

Furniture and equipment	56,144
Less: Accumulated depreciation	<u>(52,071)</u>
Net Property and equipment	<u>4,073</u>

Total Assets 23,759

**LIABILITIES AND PROPRIETOR'S EQUITY**

Current liabilities:

Accounts payable	<u>772</u>
Total current liabilities	772

Proprietor's equity:

Capital	<u>22,987</u>
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Total liabilities and proprietor's equity \$ 23,759

See notes to financial statements.

R. P. Spencer, Jr., d.b.a.  
DICK SPENCER AND ASSOCIATES  
Statement of Income and Proprietor's Capital  
For the year ended December 31, 2001

Revenue:	
Commissions	\$ 38,327
Fees	<u>235,414</u>
Total Revenue	273,740
Expenses:	
Automobile	3,108
Bank charges	281
Commissions	12
Depreciation	1,365
Dues and subscriptions	1,292
Entertainment	525
Insurance	4,395
Legal and accounting	8,756
Library and research	878
Maintenance and repair	670
Office expense	5,239
Postage	1,980
Rent	16,729
Taxes and licenses	239
Telephone	2,529
Travel	<u>147</u>
Total operating expenses	48,145
Income from operations	225,595
Other income and (expenses):	
Interest income	587
Interest expense	<u>-</u>
Total other income	587
Net income	226,182
Proprietor's capital at December 31, 2000	24,893
Proprietor's contributions - 2001	9,606
Proprietor's withdrawals - 2001	<u>(237,695)</u>
Proprietor's capital at December 31, 2001	<u><u>\$ 22,987</u></u>

See notes to financial statements

R. P. Spencer, Jr., d.b.a.  
DICK SPENCER AND ASSOCIATES  
Statement of Cash Flows  
For the year ended December 31, 2001

Cash flows from operating activities:

Net income	\$ 226,182
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	1,365
Changes in assets and liabilities:	
Decrease in accounts receivable	-
Increase in accounts payable	511
Total adjustments	<u>1,877</u>
Net cash provided by operating activities	228,059
Cash flows from investing activities:	
Purchase of equipment	-
Cash flows from financing activities:	
Withdrawals of capital	(237,695)
Contributions of capital	<u>9,606</u>
Net cash used in financing activities	(228,089)
Net increase in cash and cash equivalents	(30)
Cash and cash equivalents at beginning of year	<u>19,715</u>
Cash and cash equivalents at end of year	<u><u>\$ 19,685</u></u>

See notes to financial statements.

R. P. Spencer, Jr., dba  
DICK SPENCER AND ASSOCIATES  
Schedule of Computation of Net Capital  
Under Rule 15c 3-1 as of December 31, 2001

Total qualified capital from Statement of Financial Condition	\$ 23,759
Less total liabilities	<u>(772)</u>
Net Worth	<u>22,987</u>
Deductions and charges:	
Furniture, Equipment and automobile - net of accumulated depreciation	<u>(4,073)</u>
Net capital before haircuts on securities positions	18,914
Total haircuts on securities	<u>-</u>
Net Capital	18,914
Minimum capital required	<u>5,000</u>
Excess capital	<u>13,914</u>
Computation of Aggregate Indebtedness	
Total aggregate indebtedness from Statement of Financial Condition (total liabilities)	<u>\$ 772</u>
Percentage of aggregate indebtedness to net capital in excess of minimum capital	5.55%

Footnote: There are no material differences between the figures presented in the "Computation of Net Capital to Rule 15c-3-1" of the R. P. Spencer, Jr., dba Dick Spencer and Associates annual report at December 31, 2001 and the figures presented by Dick Spencer and Associates in its "Computation of Net Capital and Aggregate Indebtedness" as reported in its unaudited Focus part II report (Form X-17A-5) as of December 31, 2001.

**R. P. SPENCER, JR., d.b.a.**  
**DICK SPENCER AND ASSOCIATES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Company Activities

The Company is a broker dealer of publicly traded securities and is subject to rules and regulations established by the Securities and Exchange Commission for such entities. It also manages the operations of various trusts. The Company extends no credit to its clients and records receivables for cash deposits relating to commissions that are being processed by its exchange intermediary. The Company's management has estimated the useful life of fixed assets and allocates associated expense over the estimated period.

The Records

The Company maintains its accounts and the accompanying financial statements are presented on the accrual basis.

Furniture, Equipment and Automobile and Related Depreciation

Renewals and betterments that extend the original estimated economic life of assets are capitalized. Maintenance and repairs are expensed. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is recognized currently.

Depreciation is based on the straight-line method over the assets estimated useful lives.

Income Taxes

No provision is made for income taxes since the Company is a sole Proprietorship.

Commitments and contingencies:

Long-term operating lease – none.

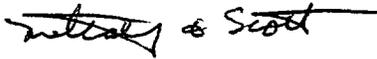
**METCALF & SCOTT**  
ACCOUNTANCY CORPORATION

P.O. Box 394 MONTROSE, CA 91021-0394

February 25, 2002

NASD  
300 South Grand #600  
Los Angeles, CA 90017

We have reviewed the financial condition of R. P. Spencer, Jr., as of December 31, 2001 and have determined that his personal assets are in excess of his personal liabilities.



Metcalf & Scott  
Accountancy Corporation

**METCALF & SCOTT**  
ACCOUNTANCY CORPORATION

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P.O. Box 394 MONTROSE, CA 91021-0394

February 25, 2002

R. P. Spencer, Jr., dba  
Dick Spencer and Associates  
140 South Lake Avenue, #308  
Pasadena, CA 91101

We have examined the financial statements of R. P. Spencer, Jr., dba Dick Spencer and Associates as of December 31, 2001 and for the year then ended, and have issued our report thereon dated February 25, 2002. As a part of our examination, we reviewed and tested the Company's accounting system and system of internal accounting control to the extent considered necessary to evaluate the system as required by generally accepted auditing standards and by Rule 17A-5(g)(1) under the Securities Exchange Act of 1934.

Rule 17A-5 contemplates that the scope of the review and tests should be sufficient to provide reasonable assurance that any material weakness existing at the date of our examination would be disclosed. Under these standards and the Rule, the purposes of such evaluation are to establish a basis for reliance thereon in determining the nature, timing and extent of other auditing procedures that are necessary to expressing an opinion on the financial statements and to provide a basis for reporting material weaknesses in internal accounting control.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgements by management. However, for the purposes of this report under Rule 17A-5, the cost-benefit relationship has been disregarded in determining weaknesses to be reported.

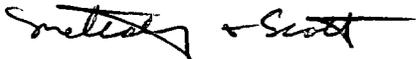
There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgement, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgements required in the preparation of financial statements. Further, projection periods are subject to the risk that the procedures may become inadequate because of changes in conditions, and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the Company's system of internal accounting control was for the purpose set forth in the first paragraph above and would not necessarily disclose all weaknesses in the system which may have existed during the period. However, such study and evaluation disclosed the following conditions that we believe to be material weaknesses. Such conditions, with an indication of any corrective action taken or proposed, is as follows:

The size of the business necessarily imposes practical limitations on the effectiveness of those internal accounting control procedures that depend on segregation of duties, but these limitations were recognized in determining the scope of our examination.

The individual who handles cash receipts also signs checks.

The supplementary report is being furnished for filing with the Securities and Exchange Commission.

A handwritten signature in cursive script, appearing to read "Metcalf & Scott", written in dark ink.

Metcalf & Scott  
Accountancy Corporation