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

FACING PAGE

MAR 11 2002

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 01/01/01 AND ENDING 12/31/01  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Equity Investment Services, Inc.

OFFICIAL USE ONLY  
 FIRM ID. NO.

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

1640 Pepperwood Drive  
(No. and Street)

St. Louis MO 63146  
(City) (State) (Zip Code)

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

Victoria L. Ragland (314)205-9292  
(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Wolff & Taylor P.C.

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

222 S. Central - Suite 506 St. Louis MO 63105  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

**PROCESSED**  
 P  
 MAR 29 2002

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 THOMSON FINANCIAL

*KH*

\*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).

OATH OR AFFIRMATION

I, Victoria L. Ragland, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Equity Investment Services, Inc., 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:

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

Victoria L. Ragland  
Signature  
Prts.  
Title

Joyce Feegle  
Notary Public  
Joyce Feegle



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).

**Equity Investment Services, Inc.**  
**Financial Statements**  
**December 31, 2001**

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**WOLFF & TAYLOR P.C.**  
*Certified Public Accountants*

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SUITE 506  
ST. LOUIS, MISSOURI 63105-3509

Phone: 314.727.3700  
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To the Board of Directors  
Equity Investment Services, Inc.  
St. Louis, Missouri

We have audited the accompanying balance sheet of Equity Investment Services, Inc. as of December 31, 2001 and the related statement 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Equity Investment Services, Inc. as of December 31, 2001 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Wolff & Taylor P.C.*

February 22, 2002

**Equity Investment Services, Inc.**  
**Balance Sheet**  
**December 31, 2001**

**ASSETS**

	<b>2001</b>
<b><u>Current Assets:</u></b>	
Cash - Checking Account	\$ 626
Cash and Cash Equivalents	626
Commissions Receivable	548
Total Current Assets	1,174
<b><u>Other Assets:</u></b>	
Securities	15,480
<b>Total Assets</b>	<b>\$ 16,654</b>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

	<b>2001</b>
<b><u>Current Liabilities:</u></b>	
Commissions Payable	\$ 178
Accrued Expenses	1,500
Total Current Liabilities	1,678
<b><u>Stockholder's Equity:</u></b>	
Capital Stock:	
Authorized: 30,000 Shares	
Par Value \$1 Per Share	
Issued and Outstanding: 10,000 Shares	10,000
Retained Earnings	-
Accumulated Other Comprehensive Income	4,976
Total Stockholders' Equity	14,976
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 16,654</b>

The accompanying notes are an integral part of the financial statements.

**Equity Investment Services, Inc.**  
**Statement of Income**  
**For the Year Ended December 31, 2001**

	<b>2001</b>
<b><u>Income:</u></b>	
Commissions Earned	\$ 74,914
<b><u>Expenses:</u></b>	
Bank Service Charges	10
Commissions Paid	68,968
Licenses and Permits	499
Professional Fees	2,025
	71,502
<b><u>Income (Loss) from Operations</u></b>	3,412
<b><u>Other Income (Expense):</u></b>	
Dividend Income	136
Capital Gain Dividends	401
Realized (Losses) on Securities	(1,421)
	(884)
<b><u>Net Income (Loss) Before Income Taxes</u></b>	2,528
<b><u>Provision for Income Taxes</u></b>	346
<b><u>Net Income (Loss)</u></b>	2,182
<b><u>Other Comprehensive Income:</u></b>	
Unrealized Gain on Security	2,691
<b>Comprehensive Income (Loss)</b>	\$ 4,873

The accompanying notes are an integral part of the financial statements.

**Equity Investment Services, Inc.**  
**Statement of Changes in Stockholder's Equity**  
**For the Year Ended December 31, 2001**

	Common Stock	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total
<b>Balance, Beginning of the Year</b>	\$ 10,000	\$ -	\$ 103	\$ 10,103
Comprehensive Income				
Net Income (Loss)	-	-	2,182	2,182
Unrealized Gain on Securities	-	-	2,691	2,691
Common Stock Subscription	-	-	-	-
<b>Retained Earnings, End of the Year</b>	<b>\$ 10,000</b>	<b>\$ -</b>	<b>\$ 4,976</b>	<b>\$ 14,976</b>

The accompanying notes are an integral part of the financial statements.



**Equity Investment Services, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2001**

	<b>2001</b>
<b><u>Net Cash Flows From Operating Activities:</u></b>	
Net Income (Loss)	\$ 2,182
Adjustments to reconcile net income (loss) to net cash from operations:	
Loss on Sale of Securities	1,421
(Increase) Decrease in Commissions Receivable	(158)
Increase (Decrease) in Accounts Payable	(3,820)
Increase (Decrease) in Accrued Expenses	450
Net Cash Provided by Operations	75
<b><u>Cash Flows From Investing Activities:</u></b>	
Purchase of Securities	(36,141)
Proceeds from Sales of Securities	35,610
Net Cash Provided By (Used In) Investing Activities	(531)
<b>Net Increase (Decrease) in Cash</b>	(456)
<b>Cash and Cash Equivalents at Beginning of Year</b>	1,082
<b>Cash and Cash Equivalents at End of Year</b>	\$ 626
 <b>Supplemental Disclosures of Cash Flow Information:</b>	
Cash Paid for Interest	\$ -
Cash Paid for Taxes	\$ 396

The accompanying notes are an integral of the financial statements.

**Equity Investment Services, Inc.**  
**Notes to Financial Statements**  
**December 31, 2001**

1) Summary of Significant Accounting Policies.

- a) Company's Activities - The Company, located in St. Louis, Missouri, is an NASD registered broker/dealer that offers a variety of financial products to its clients. The Company's primary products are mutual funds and insurance contracts.
- b) Accounting Method - The Company's books are maintained on the accrual basis of accounting for financial statement reporting.
- c) Commissions Receivable - The Company uses the direct write-off method for recognition of bad debts. No allowance for doubtful accounts is believed necessary.
- d) Adoption of SFAS No. 130 - The Company adopted SFAS No. 130, Reporting Comprehensive Income.
- e) Income Taxes - Amounts provided for Federal income taxes are based on earnings reported for financial statements purposes, adjusted for permanent differences between reported financial and taxable income.
- f) Cash and Cash Equivalents - For purposes of the statement of cash flows, cash and cash equivalents consist of cash and money market funds.
- g) Use of Estimates - 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.

2) Reserve Requirements.

The Company is not obligated to report under SEC Rule 15c3-3 since it does not maintain customer accounts or hold securities. Therefore, the Company does not have a reserve requirement nor does it have any information relating to the possession or control requirement under Rule 15c3-3.

3) Minimum Capital.

Under SEC Rule 15c3-1, the Company is required to maintain net capital of not less than \$5,000 in 2001. At December 31, 2001, the Company's net capital as defined by SEC Rule 15c3-1 was \$7,730 in excess of minimum net capital required.

4) Securities.

The Company invests in mutual funds. At December 31, 2001, these securities were classified as available for sale securities and are reported at fair value, with the unrealized gains and losses included in comprehensive income. Costs are determined on an average cost per share basis for determining realized gains or losses. At December 31, 2001, these securities had a fair value of \$15,479, a cost of \$14,691 and an unrealized gain of \$788. Realized losses on securities sold during 2001 were \$1,421.

**Equity Investment Services, Inc.**  
**Notes to Financial Statements**  
**December 31, 2001**

5) Major Customers.

The Company had commission income from two customers during 2001 which accounted for approximately 82% of total commission income.

6) Income Taxes.

The income tax expense of the Company consists of the following:

	<u>2001</u>
Current Tax Expense:	
Federal	\$ 264
State	82
Income Tax Expense	<u>\$ 346</u>