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

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

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SECURITIES AND EXCHANGE COMMISSION
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FEB 05 2002

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

DIVISION OF MARKET REGULATION

REPORT FOR THE PERIOD BEGINNING May 1, 2000 AND ENDING April 30, 2001
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Schembra Securities, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

32 Shelter Cove Plaza, Suite P

(No. and Street)

Hilton Head Island

South Carolina

29928-3546

(City)

(State)

(Zip Code)

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

(803) 689-3887

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Schultz & Chez, L.L.P.

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

141 W. Jackson Blvd., Suite 2900

Chicago, Illinois 60604

(Address)

(City)

(State)

Zip Code)

PROCESSED

FEB 19 2002

THOMSON
FINANCIAL

CHECK ONE:

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

FOR OFFICIAL USE ONLY

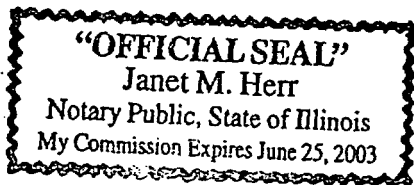
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

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

OATH OR AFFIRMATION

I, Kirk Eldridge, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Schembra Securities, Inc., as of April 30, 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:



Kirk Eldridge
Signature
President
Title

Janet M. Herr
Notary Public

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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (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).

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SCHULTZ & CHEZ, L.L.P.

Certified Public Accountants

141 West Jackson Boulevard., Suite 2900
Chicago, Illinois 60604
Main: (312) 332-1912
Fax: (312) 332-3635

INDEPENDENT AUDITOR'S REPORT

To the Stockholder of
Schembra Securities, Inc.
Hilton Head Island, South Carolina

We have audited the accompanying statement of financial condition of Schembra Securities, Inc. as of April 30, 2001 and the related statements of operations, changes in stockholder's equity, and cash flows for 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 accounting 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 Schembra Securities, Inc. as of April 30, 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 pages 7 and 8 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5(d) under the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit 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.

Chicago, Illinois
June 7, 2001

Schultz and Chez, L.L.P.

Schembra Securities, Inc.

STATEMENT OF FINANCIAL CONDITION

APRIL 30, 2001

ASSETS

Cash in bank \$ 9,871

TOTAL ASSETS \$ 9,871

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES \$ -

STOCKHOLDER'S EQUITY

Common stock, no par value; 100,000 shares authorized, 8,000 shares issued and outstanding 8,000

Paid-in capital 18,018

Accumulated deficit (16,147)

Total stockholder's equity 9,871

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY \$ 9,871

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

Schembra Securities, Inc.

STATEMENT OF OPERATIONS

YEAR ENDED APRIL 30, 2001

REVENUES

Commissions	\$	<u>236,000</u>
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EXPENSES

Commissions	214,000
Dues and fees	6,700
Miscellaneous	<u>15,952</u>

TOTAL EXPENSES		<u>236,652</u>
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NET LOSS	\$	<u>(652)</u>
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The accompanying notes are an integral
part of these financial statements.

Schembra Securities, Inc.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

YEAR ENDED APRIL 30, 2001

	<u>Number of Shares</u>	<u>Common Stock</u>	<u>Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance, April 30, 2000	8,000	\$8,000	\$18,018	\$(15,495)	\$ 10,523
Net loss	<u> </u>	<u> </u>	<u> </u>	(<u>652</u>)	(<u>652</u>)
Balance, April 30, 2001	<u>8,000</u>	<u>\$8,000</u>	<u>\$18,018</u>	<u>\$(16,147)</u>	<u>\$ 9,871</u>

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

Schembra Securities, Inc.

STATEMENT OF CASH FLOWS

YEAR ENDED APRIL 30, 2001

OPERATING ACTIVITIES

Net loss	\$ (<u>652</u>)
NET CASH USED IN OPERATING ACTIVITIES	(<u>652</u>)
NET DECREASE IN CASH	(<u>652</u>)
CASH - APRIL 30, 2000	<u>10,523</u>
CASH - APRIL 30, 2001	\$ <u><u>9,871</u></u>

Supplemental Cash Flow Information

-Cash payments for interest during the period totaled \$0.

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

Schembra Securities, Inc.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2001

1. *DESCRIPTION OF BUSINESS*

Schembra Securities, Inc. (the "Company") is a registered securities broker/dealer primarily engaged in the underwriting of real estate securities on an agency basis for issuers of such securities. The Company forwards all funds received to the issuers of securities, and all securities received to the investors.

The Company is a member of the National Association of Securities Dealers, Inc.

2. *SIGNIFICANT ACCOUNTING POLICIES*

Underwriting fee income is recorded when transactions between customers (investors) and issuers are completed and the fund are distributed.

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

3. *INCOME TAXES*

At April 30, 2001, the Company's net operating loss available for carryforward to offset future taxable income and tax liabilities for income tax reporting purposes is approximately \$2,000 and expires in 2011.

4. *REGULATORY MATTERS*

As a broker dealer, the Company is subject to the minimum capital requirements adopted and administered by the Securities and Exchange Commission "SEC". At April 30, 2001, the Company had net capital, as defined by the SEC, of \$9,871 which was \$4,871 in excess of the \$5,000 capital required under Rule 15c3-1.

5. *CONCENTRATION OF CREDIT RISK*

At April 30, 2001, the Company had no significant credit concentration. The Company has established an escrow trust account at The Bank of New York ("BONY") to hold customers earnest money deposits. The funds are made payable directly to BONY and are held until the real estate closing and are disbursed by the closing attorney upon final closing. The Company does not have any access to or control of these funds. The balance in this account at April 30, 2001 was \$3,000.

SUPPLEMENTARY INFORMATION

Schembra Securities, Inc.

COMPUTATION OF NET CAPITAL, PER UNIFORM NET CAPITAL RULE

APRIL 30, 2001

COMPUTATION OF NET CAPITAL

CREDITS

Total stockholder's equity \$ 9,871

DEBITS

Non-allowable assets -

NET CAPITAL BEFORE HAIRCUTS 9,871

HAIRCUTS -

NET CAPITAL \$ 9,871

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Net capital requirement (greater of 6 2/3% of aggregate indebtedness or \$5,000) \$ 5,000

EXCESS NET CAPITAL \$ 4,871

Excess net capital at 1,000% (net capital less 10% of aggregate indebtedness) \$ 4,871

COMPUTATION OF AGGREGATE INDEBTEDNESS \$ -0-

Percentage of aggregate indebtedness to net capital 0%

Note: *There are no material differences between the audited computation of net capital and that per the Company's unaudited FOCUS report as filed.*

Schembra Securities, Inc.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS AND INFORMATION FOR THE POSSESSION OR CONTROL REQUIREMENTS PURSUANT TO RULE 15c3-3

April 30, 2001

These schedules are not applicable as Schembra Securities, Inc. is exempt from Rule 15c3-3 under the provisions of subparagraph (k)(2)(i) inasmuch as it carries no margin accounts, promptly transmits all customer funds and delivers all securities received in connection with its activities as a broker or dealer, does not otherwise hold funds or securities for, or owe money or securities to, customers and effectuates all financial transactions between the broker or dealer and its customers through one or more bank accounts, each designated as "Special Account for the Exclusive Benefit of Customers of Schembra Securities, Inc."

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

To the Stockholder of

Schembra Securities, Inc.

Hilton Head, South Carolina

In planning and performing our audit of the financial statements of Schembra Securities, Inc. for the year ended April 30, 2001, we considered its internal control structure, including procedures for safeguarding securities, 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.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Schembra Securities, Inc. 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 in complying with the conditions of exemption from Rule 15c3-3. We did not review the practices and procedures followed by the Company 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.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices 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, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

In addition, the Company was in compliance with the conditions of the exemptive provisions of Rule 15c3-3 at April 30, 2001 and, further, no facts came to our attention indicating that the company was not in compliance with such conditions during the year ended April 30, 2001.

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 April 30, 2001, to meet the Commissions' objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers, 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.

Schultz and Co., C.C.P.

Chicago, Illinois
June 7, 2001