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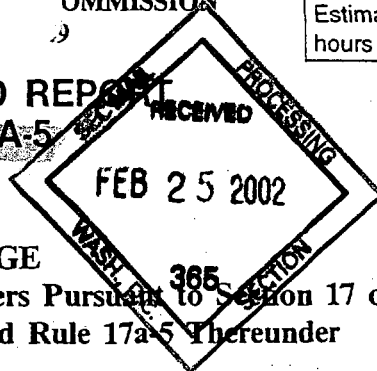
COMMISSION

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

SEC FILE NUMBER
 8-50923



3/4/02 f

FACING PAGE

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:

CUSOURCE, LLC

OFFICIAL USE ONLY

FIRM ID. NO.

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

7920 Belt Line Road, Suite 1100

(No. and Street)

Dallas

Texas

75254-8100

(City)

(State)

(Zip Code)

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

Bruce M. Fox

972-861-3150

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PricewaterhouseCoopers, LLP

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

2001 Ross Avenue, Suite 1800, Dallas, Texas 75201

(Address)

(City)

(State)

PROCESSED

MAR 08 2002 (Zip Code)

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CHECK ONE:

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

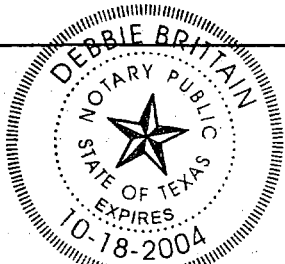
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

KA

OATH OR AFFIRMATION

I, Bruce M. Fox, swear (or affirm) that, to the best of my knowledge and belief, the accompanying financial statement and supporting schedules pertaining to the firm of CUSOURCE, LLC, 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:



Bruce M Fox
Signature
Designated Principal
Title

Debbie Brittain
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 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).

Report of Independent Accountants

The Sole Member of
CUSOURCE, LLC:

In our opinion, the accompanying statements of financial condition and the related statements of operations, changes in member's equity and cash flows present fairly, in all material respects, the financial position of CUSOURCE, LLC (the "Company") at December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. 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 audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplemental schedule on page 9 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 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits 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.

PricewaterhouseCoopers LLP

February 6, 2002

CUSOURCE, LLC

STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
ASSETS		
Cash and cash equivalents	\$ 1,574,994	\$ 1,210,435
Accounts receivable	6,871	21,247
Other assets	13,519	15,147
Total assets	<u>\$ 1,595,384</u>	<u>\$ 1,246,829</u>
LIABILITIES AND MEMBER'S EQUITY		
Accounts payable and accrued liabilities	\$ 45,950	\$ 72,872
Total liabilities	<u>45,950</u>	<u>72,872</u>
Member contributed capital	500,000	500,000
Retained earnings	1,049,434	673,957
Total member's equity	<u>1,549,434</u>	<u>1,173,957</u>
Total liabilities and member's equity	<u>\$ 1,595,384</u>	<u>\$ 1,246,829</u>

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

CUSOURCE, LLC

STATEMENT OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
Revenue:		
Investment advisory fees	\$ 1,597,124	\$ 1,613,585
Commissions	446,365	76,851
Interest income	36,440	54,820
Total revenue	<u>2,079,929</u>	<u>1,745,256</u>
Expense:		
Compensation and benefits	904,885	733,549
Professional and other fees (Note 4)	504,315	487,646
Advertising and promotions	75,533	102,588
Office operations	72,517	51,307
Clearance and safekeeping fees	86,098	59,353
Other	61,104	49,736
Total expense	<u>1,704,452</u>	<u>1,484,179</u>
Net income	<u>\$ 375,477</u>	<u>\$ 261,077</u>

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

CUSOURCE, LLC

STATEMENT OF CHANGES IN MEMBER'S EQUITY FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>Member Contributed Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balances at December 31, 1999	<u>\$ 500,000</u>	<u>\$ 412,880</u>	<u>\$ 912,880</u>
Net income	<u>-</u>	<u>261,077</u>	<u>261,077</u>
Balances at December 31, 2000	<u>500,000</u>	<u>673,957</u>	<u>1,173,957</u>
Net income	<u>-</u>	<u>375,477</u>	<u>375,477</u>
Balances at December 31, 2001	<u>\$ 500,000</u>	<u>\$ 1,049,434</u>	<u>\$ 1,549,434</u>

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

CUSOURCE, LLC

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities:		
Net income	\$ 375,477	\$ 261,077
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in accounts receivable	14,376	(4,207)
Decrease in other assets	1,628	48
(Decrease) increase in accounts payable and accrued liabilities	<u>(26,922)</u>	<u>60,556</u>
Net cash provided by operating activities	<u>364,559</u>	<u>317,474</u>
Net increase in cash and cash equivalents	364,559	317,474
Cash and cash equivalents at beginning of year	<u>1,210,435</u>	<u>892,961</u>
Cash and cash equivalents at end of year	<u>\$ 1,574,994</u>	<u>\$ 1,210,435</u>

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

CUSOURCE, LLC

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF BUSINESS

CUSOURCE, LLC (the "Company") was formed on March 5, 1998, as a limited liability company under Texas law. The Company is a wholly-owned subsidiary of Southwest Corporate Federal Credit Union ("SCFCU"). The Company does business under the name "Southwest Corporate Investment Services."

The Company is a registered broker-dealer with the Securities and Exchange Commission ("SEC"), with various state regulatory agencies, and is a member of the National Association of Securities Dealers. The Company has an agreement with a clearing broker to clear securities transactions, carry customers' accounts on a fully disclosed basis, and perform certain recordkeeping functions. Accordingly, the Company operates under the exemptive provision of SEC Rule 15c3-3(k)(2)(ii).

The Company is also a registered investment advisor with the SEC.

2. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on deposit and certificates of deposit which mature within 30 days.

Investment advisory fees

Investment advisory fees are based upon total funds under advisement and are calculated monthly. Investment advisory revenue is recorded as earned.

Commissions

Commissions and related clearing fees are recorded on a trade-date basis as securities transactions occur.

3. NET CAPITAL REQUIREMENTS

The Company is required by Rule 15c3-1 of the Securities Exchange Act of 1934 to maintain minimum net capital as defined, which is the greater of \$50,000 or 6-2/3% of total aggregate indebtedness (\$45,950 at December 31, 2001). Retained earnings may be restricted as to payment of dividends if the ratio of aggregate indebtedness to net capital exceeds 10 to 1, or if net capital is less than 120 percent of the minimum regulatory net capital.

At December 31, 2001, the Company had total net capital, as defined, of \$395,727 and a ratio of aggregate indebtedness to net capital of .12 to 1. Total net capital was 791 percent of the minimum regulatory net capital.

CUSOURCE, LLC

NOTES TO FINANCIAL STATEMENTS

4. RELATED PARTY TRANSACTIONS

SCFCU provides all of the employees and a variety of services to the Company through a management agreement. The Company paid management fees to SCFCU of \$341,136 and \$342,756 during 2001 and 2000, respectively. SCFCU paid commissions to the Company for the sale of SCFCU share certificates of \$185,860 and \$28,127 during 2001 and 2000, respectively.

Cash and cash equivalents on deposit at SCFCU at December 31, 2001 and 2000 were \$1,270,844 and \$912,271, respectively.

Accounts payable at December 31, 2001 included payables to SCFCU of \$7,768. Accounts receivable at December 31, 2000 included receivables from SCFCU of \$17,656. Net payments were made throughout 2001 and 2000 for various inter-company transactions including the management fee and commission payments, SCFCU's remittance of investment advisory fees collected for the Company, and the Company's reimbursement of operating expenditures funded by SCFCU.

5. ADVISORY TO CUFUND

The Company served as the investment advisor to the CUFUND (the Fund), a mutual fund offered exclusively to federal and state chartered credit unions until its termination in April of 2001. Net advisory fees received from the Fund during 2001 and 2000 were approximately \$13,000 and \$100,000, respectively.

6. INCOME TAXES

As a limited liability company, the Company is not subject to federal income taxes. The federal income tax liability of a Texas limited liability company flows through to its members. SCFCU, the sole member of the Company, is exempt from federal income taxes under the Federal Credit Union Act.

The Company is subject to Texas Franchise Tax. Franchise tax expense for 2001 and 2000 was \$11,912 and \$14,228, respectively.

7. CUSTOMER PROTECTION, RESERVES AND CUSTODY OF SECURITIES

As an introducing broker-dealer, the Company does not hold funds or securities but clears all transactions with and for customers on a fully disclosed basis with a clearing broker-dealer; accordingly, it is not subject to the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, which provides for the maintenance by broker-dealer of basic reserves with respect to customers' cash and securities and enumerates standards relating to the physical possession of customer securities, pursuant to paragraph (k)(2)(ii) of such rule.

CUSOURCE, LLC

**SUPPLEMENTAL FINANCIAL INFORMATION
REQUIRED BY RULE 17a-5 UNDER THE SECURITIES
EXCHANGE ACT OF 1934**

FOR THE YEAR ENDED DECEMBER 31, 2001

CUSOURCE, LLC

SUPPLEMENTAL FINANCIAL INFORMATION DECEMBER 31, 2001

A. COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1

	Financial Statements* 2001
Net capital:	
Total member's equity	\$ 1,549,434
Less non-allowable assets:	
Deposits with SCFCU in excess of normal operating balances	1,136,746
Prepaid expenses	12,573
Deposits in excess of clearing deposit requirement	4,388
Net capital	<u>\$ 395,727</u>
Aggregate indebtedness:	
Accounts payable and accrued liabilities	<u>\$ 45,950</u>
Total aggregate indebtedness	<u>\$ 45,950</u>

B. COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

1. Minimum net capital required (6-2/3% of total aggregate indebtedness)	\$ 3,063
2. Minimum dollar net capital requirement	50,000
3. Net capital requirement (greater of 1. or 2.)	50,000
4. Excess net capital	345,727
5. Ratio: aggregate indebtedness to net capital	.12 to 1

C. COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER EXHIBIT A OF RULE 15c3-3

The Company claims exemption under the provisions of paragraph k(2)(ii) of Rule 15c3-3 of the Securities Exchange Act of 1934.

D. INFORMATION FOR POSSESSION OR CONTROL REQUIREMENT UNDER RULE 15c3-3

The Company claims exemption under the provisions of paragraph k(2)(ii) of Rule 15c3-3 of the Securities Exchange Act of 1934.

* There are no differences between the financial statements and Focus report Net Capital Reconciliation.

Report of Independent Accountants on Internal Control Required by SEC Rule 17a-5

To the Sole Member of
CUSOURCE, LLC:

In planning and performing our audit of the financial statements and supplemental schedule of CUSOURCE, LLC (the "Company") for the year ended December 31, 2001, we considered its internal control, including control activities 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.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures, followed by the Company, including tests of compliance with such practices and procedures, that we considered relevant to the objectives stated in Rule 17a-g(g) in the following:

1. Making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11); and
2. Determining compliance with the exemptive provisions of Rule 15c3-3.

Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons and the recordation of differences required by Rule 17a-13;
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System; and
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining internal control 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 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 SEC's above mentioned objectives. Two of the objectives of internal control 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

PRICEWATERHOUSECOOPERS

management's authorization and recorded properly to permit the preparation of financial statements in accordance 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 limitation in internal control or the practices and procedures referred to above, errors or fraud may occur and may not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control 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 one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud 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 internal control, including procedures for safeguarding securities, 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 SEC 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 SEC's objectives.

This report is intended solely for the information and use of the Company's Sole Member, the SEC, the National Association of Securities Dealers, Inc., and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

February 6, 2002



CUSOURCE, LLC

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000