



02005964

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

VF
3-4-02

OMB APPROVAL
OMB Number: 3235-0123
Expires: September 30, 1998
Estimated average burden
hours per response: 12.00

SEC FILE NUMBER
8-51315

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

FEB 22 2002

REPORT FOR THE PERIOD BEGINNING January 1, 2001 AND ENDING December 31, 2001
MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

The Yale Group, Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

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

725 Newport Street

(No. and Street)

Denver,

CO

80220

(City)

(State)

(Zip Code)

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

Gordon Yale

(303) 331-6461

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

SPICER, JEFFRIES & CO.

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

4155 E. JEWELL AVENUE, STE. 307

DENVER,

CO

80222

(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 15 2002

FOR OFFICIAL USE ONLY

THOMSON
FINANCIAL

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.

VF
3-4-02

OATH OR AFFIRMATION

I, Gordon Yale, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of The Yale Group, 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:

Gordon Yale
Signature
President
Title

Kelly F. Westback
Notary Public

KELLY F. WESTBACK
NOTARY PUBLIC
STATE OF COLORADO

My Commission Expires 08/23/2004

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.
- (o) Independent Auditors' Report on Internal Accounting Control.

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

THE YALE GROUP, INC.

CONTENTS

	<u>Page</u>
Independent Auditors' Report	3
Statement of Financial Condition	4
Statement of Operations	5
Statement of Changes in Shareholder's Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8-9
Supplementary Schedule: Computation of Net Capital Pursuant to Uniform Net Capital Rule 15c3-1	10
Independent Auditors' Report on Internal Accounting Control Required by SEC Rule 17a-5	11-12

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Yale Group, Inc.

We have audited the accompanying statement of financial condition of The Yale Group, Inc. as of December 31, 2001, and the related statements of operations, changes in shareholder'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 The Yale Group, 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.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information contained in the supplemental schedule listed in the accompanying index is presented for purposes of additional analysis and is not required for a fair presentation of the 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 our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Spicer, Jeffries & Co.

Denver, Colorado
January 9, 2002



THE YALE GROUP, INC.

STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2001

ASSETS

Cash and cash equivalents	\$	82 105
Securities owned, at market value		<u>204 350</u>
	\$	<u><u>286 455</u></u>

LIABILITIES AND SHAREHOLDER'S EQUITY

LIABILITIES:

Accrued expenses	\$	<u>2 700</u>
------------------	----	--------------

SHAREHOLDER'S EQUITY (Note 2):

Common stock, no par value; 100 shares authorized 100 shares issued and outstanding		193 701
Retained earnings		<u>90 054</u>

<i>TOTAL SHAREHOLDER'S EQUITY</i>		<u>283 755</u>
	\$	<u><u>286 455</u></u>

THE YALE GROUP, INC.

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2001

REVENUE:

Commissions and fees	\$	283 637
Interest and dividends		2 362
Net realized and unrealized losses		<u>(10 875)</u>

Total revenue 275 124

EXPENSES:

Salaries and payroll taxes		38 800
General and administrative expenses		1 918
Professional fees		<u>3 950</u>

Total expenses 44 668

NET INCOME

\$ 230 456

THE YALE GROUP, INC.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
YEAR ENDED DECEMBER 31, 2001

	<u>Common</u>	<u>Stock</u>	<u>Retained</u>
	<u>Shares</u>	<u>Amount</u>	<u>Earnings</u>
BALANCES, December 31, 2000	100	\$ 65 375	\$ 47 897
Securities contributed	-	128 326	-
Distributions	-	-	(188 299)
Net income	-	-	230 456
BALANCES, December 31, 2001	<u>100</u>	<u>\$ 193 701</u>	<u>\$ 90 054</u>

The accompanying notes are an integral part of this statement.

THE YALE GROUP, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2001
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$	230 456
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease in securities owned, at market value		<u>37 389</u>
<i>Net cash provided by operating activities</i>		<u>267 845</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Distributions to shareholder		<u>(188 299)</u>
------------------------------	--	------------------

NET INCREASE IN CASH 79 546

CASH AND CASH EQUIVALENTS, at beginning of year 2 559

CASH AND CASH EQUIVALENTS, at end of year \$ 82 105

**SUPPLEMENTAL DISCLOSURE OF NON-CASH
INVESTING AND FINANCING ACTIVITIES:**

Contribution of securities	\$	<u>128 326</u>
----------------------------	----	----------------

THE YALE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Yale Group, Inc. (the Company) was incorporated on September 1, 1998 to engage in investment banking and financial consulting. The Company currently operates as a consultant or joint account participant to, or with, other broker-dealers in debt and equity financing transactions for a fee. The Company is a broker-dealer registered with the Securities and Exchange Commission, the National Association of Securities Dealers and the Municipal Securities Rule Making Board.

The Company does not hold customer securities or perform custodial functions relating to customer accounts, and therefore is exempt from the possession and control requirements of Rule 15c3-3 under 15c3-3 (k)(2)(i).

For purposes of cash flows, the Company considers money market funds with maturity of three months or less to be cash equivalents.

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.

The Company is recognized as an S-Corporation by the Internal Revenue Service. The Company's shareholder is liable for federal and state income taxes on the Company's taxable income.

The Company records securities transactions and related expenses on a trade date basis.

NOTE 2 - NET CAPITAL REQUIREMENTS

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. At December 31, 2001, the Company had net capital and net capital requirements of \$180,933 and \$100,000, respectively. The Company's net capital ratio (aggregate indebtedness to net capital) was .02 to 1. According to Rule 15c3-1, the Company's net capital ratio shall not exceed 15 to 1. The Company has increased its net capital to \$180,933 in anticipation of amending its agreement with the NASD to conduct business as a \$100,000 broker-dealer.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Company has an expense agreement with an affiliated entity. Under the agreement, certain operating expenses will be paid by the affiliate. The Company is obligated to pay only direct expenses of the Corporation.

THE YALE GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 4 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND CONTINGENCIES

The Company's financial instruments, including cash and cash equivalents are carried at amounts which approximate fair value. Securities owned by the Company are recorded at market value, and related changes in market value are reflected in income. Accrued expenses approximate fair value.

At December 31, 2001, the Company holds securities for its own account and may incur losses should the market value of these securities decrease subsequent to December 31, 2001.

SUPPLEMENTARY INFORMATION

THE YALE GROUP, INC.

**COMPUTATION OF NET CAPITAL PURSUANT TO UNIFORM
NET CAPITAL RULE 15c3-1
DECEMBER 31, 2001**

CREDIT:

Shareholder's equity	\$	283 755
----------------------	----	---------

DEBIT:

Securities not readily marketable		<u>(81 800)</u>
-----------------------------------	--	-----------------

NET CAPITAL BEFORE HAIRCUTS

201 955

Haircuts on security positions including undue concentration charge of \$1,033

(21 022)

NET CAPITAL

180 933

Minimum requirements of 6-2/3% of aggregate indebtedness of
\$2,700 or \$100,000, whichever is greater (See Note 2)

100 000

Excess net capital

\$ 80 933

AGGREGATE INDEBTEDNESS:

Accrued expenses

\$ 2 700

RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL

.02 to 1

NOTE: There are no material differences in the above computation of net capital with that included in the Company's corresponding unaudited Form X-17A-5 Part II filing.

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5**

The Board of Directors
The Yale Group, Inc.

In planning and performing our audit of the financial statements and supplemental schedule of The Yale Group, Inc. for the year ended December 31, 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 17a5(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 The Yale Group, Inc. that we considered relevant to the objectives stated in Rule 17a-5(g), (i) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of 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 Federal Reserve 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 functions relating to customer securities.

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 judgements 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 the 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 fraud 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. This report recognizes that it is not practicable in an organization the size of The Yale Group, Inc. to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control and that alternatively greater reliance must be placed on surveillance by management.

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 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 the internal control structure, including procedures for safeguarding securities, that we consider to be of material weakness as defined above.

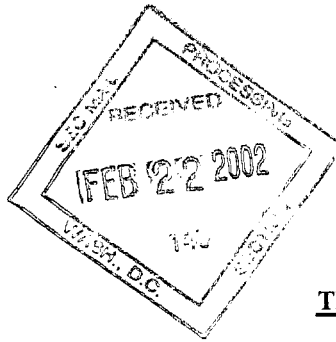
We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures 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.

In addition, our review indicated that The Yale Group, Inc. was in compliance with the conditions of exemption from Rule 15c3-3 pursuant to paragraph k(2)(i) as of December 31, 2001, and no facts came to our attention to indicate that such conditions had not been complied with during the period.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange, Inc. 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.

Spicer, Jeffries & Co.

Denver Colorado
January 9, 2002



THE YALE GROUP, INC.

REPORT PURSUANT TO RULE 17a-5(d)

YEAR ENDED DECEMBER 31, 2001