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3/21/02

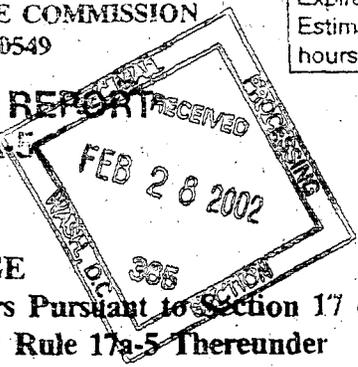
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

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



SEC FILE NUMBER
8- 26475

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:

F.J. Morrissey & Co., Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

1700 Market Street, Suite 1420

(No. and Street)

Philadelphia

PA

19103

(City)

(State)

(Zip Code)

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

Francis J. Morrissey

(215)563-8500

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Morton, Gober & Co., LLP

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

1515 West Chester Pike

West Chester

PA

19382

(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 22 2002

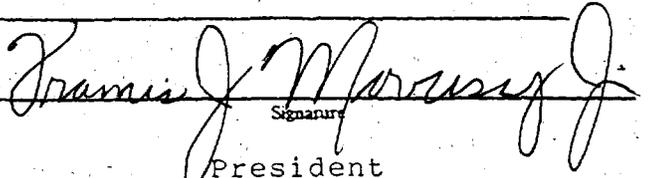
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THOMSON FINANCIAL

*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).

APF
3/21/02

OATH OR AFFIRMATION

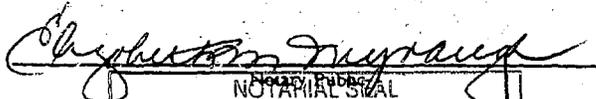
I, Francis J. Morrissey, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of F.J. Morrissey & Co., Inc., as of December 31, 2001, ~~19x~~, are true and correct. I further swear (or affirm) that neither 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:



 Signature
 President

 Title

Sworn to and subscribed before me
 this 22 day of February, 2002



 NOTARY PUBLIC
 ELIZABETH M. MYNAUGH, Notary Public
 Media Twp., Delaware County
 My Commission Expires Oct. 11, 2003

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~~ 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
- N/A (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- N/A (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.
- N/A (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. Minimum Assessment
- N/A (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

X (o) Independent auditor's report on internal accounting control.

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

**FORM
X-17A-5**

FOCUS REPORT

OMB No. 3235-0123
(5-31-87)

(Financial and Operational Combined Uniform Single Report)

PART IIA 12

3/91

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

1) Rule 17a-5(a) 16

2) Rule 17a-5(b) 17

3) Rule 17a-11 18

4) Special request by designated examining authority 19

5) Other 26

NAME OF BROKER-DEALER

F.J. Morrissey & Co., Inc. 13

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

1700 Market Street, Suite 1420 20

(No. and Street)

Philadelphia 21

(City)

PA 22

(State)

19103 23

(Zip Code)

SEC FILE NO.

8-26475 14

FIRM ID. NO.

11-02828 15

FOR PERIOD BEGINNING (MM/DD/YY)

01/01/01 24

AND ENDING (MM/DD/YY)

12/31/01 25

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

Francis J. Morrissey 30

(Area Code)—Telephone No.

(215) 563-8500 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

32

34

36

38

OFFICIAL USE

33

35

37

39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES 40 NO 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT 42

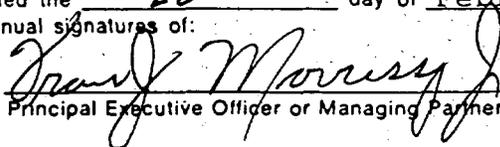
EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 22 day of February, 2002

Manual signatures of:

1)


Principal Executive Officer or Managing Partner

2)

Principal Financial Officer or Partner

3)

Principal Operations Officer or Partner

ATTENTION—Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:(a))

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

Morton, Gober & Co., LLP
 INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

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

1515 West Chester Pike, West Chester, PA 70 19382

ADDRESS Number and Street City State Zip Code

Check One 71 72 73 74

- Certified Public Accountant 75
- Public Accountant 76
- Accountant not resident in United States or any of its possessions 77

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| WORK LOCATION | REPORT DATE MM/DD/YY | DOC. SEQ. NO. | CARD | | | | |
|--|--|--|--|--|--|--|--|
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| 50 | 51 | 52 | 53 | | | | |

Morton, Gober & Co., LLP

Certified Public Accountants

PARTNERS

Elizabeth M. Mynagh, CPA

Joy R. Lehdorff, CPA

1515 West Chester Pike

Unit A-5

West Chester, PA 19382-7780

(610) 429-4900

Fax (610) 429-4730

*Members of
American and Pennsylvania Institutes of
Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
F. J. Morrissey & Co., Inc.
Philadelphia, PA 19103

We have audited the accompanying statement of financial condition of F. J. Morrissey & Co., Inc. as of December 31, 2001, and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. 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.

Generally accepted accounting principles require that fixed assets be depreciated over their estimated useful lives. The Company has computed depreciation on several fixed assets in accordance with the Modified Accelerated Cost Recovery System required for federal income tax purposes, which does not allocate depreciation to expense over the estimated useful lives of the assets. The effects of this departure from generally accepted accounting principles on financial position, results of operations, and cash flows have not been determined.

In our opinion, except for the effects of computing depreciation as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of F. J. Morrissey & Co., 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Computation of Net Capital 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 Commission Act of 1934. 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.

Morton, Gober & Co., LLP
MORTON, GOBER & CO., LLP
Certified Public Accountants

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER

F.J. Morrissey & Co., Inc.

N 3

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**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND
CERTAIN OTHER BROKERS OR DEALERS**

as of (MM/DD/YY) 12/31/01

SEC FILE NO. 8-26475

| | | |
|----------------|-------------------------------------|-----|
| Consolidated | | 99 |
| Unconsolidated | <input checked="" type="checkbox"/> | 198 |
| | | 199 |

ASSETS

| | Allowable | | Non-Allowable | | Total | |
|--|--------------|-----|---------------|-----|--------------|-----|
| | | | | | | |
| 1. Cash | \$ 48,907 | 200 | | | \$ 48,907 | 750 |
| 2. Receivables from brokers or dealers: | | | | | | |
| A. Clearance account | 441,381 | 295 | | | | |
| B. Other | | 300 | 550 | | 441,381 | 810 |
| 3. Receivables from non-customers | | 355 | 600 | | | 830 |
| 4. Securities and spot commodities owned, at market value: | | | | | | |
| A. Exempted securities | 536,003 | 418 | | | | |
| B. Debt securities | | 419 | | | | |
| C. Options | | 420 | | | | |
| D. Other securities | | 424 | | | | |
| E. Spot commodities | | 430 | | | 536,003 | 850 |
| 5. Securities and/or other investments not readily marketable: | | | | | | |
| A. At cost | 130 | | | | | |
| B. At estimated fair value | | 440 | 610 | | | 860 |
| 6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value: | | 460 | 630 | | | 880 |
| A. Exempted securities | 150 | | | | | |
| B. Other securities | 160 | | | | | |
| 7. Secured demand notes: | 400,000 | 470 | 640 | | 400,000 | 890 |
| market value of collateral: | | | | | | |
| A. Exempted securities | 829,015 | 170 | | | | |
| B. Other securities | | 180 | | | | |
| 8. Memberships in exchanges: | | | | | | |
| A. Owned, at market | 190 | | | | | |
| B. Owned, at cost | | | 650 | | | |
| C. Contributed for use of the company, at market value | | | 660 | | | 900 |
| 9. Investment in and receivables from affiliates, subsidiaries and associated partnerships | | 480 | 670 | | | 910 |
| 10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization | | 490 | 55,261 | 680 | 55,261 | 920 |
| 11. Other assets | 35,000 | 535 | 68,948 | 735 | 103,948 | 930 |
| 12. TOTAL ASSETS | \$ 1,461,291 | 540 | \$ 124,209 | 740 | \$ 1,585,500 | 940 |

OMIT PENNIES

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER F. J. Morrissey & Co., Inc. as of 12/31/01

**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING
AND CERTAIN OTHER BROKERS OR DEALERS**

LIABILITIES AND OWNERSHIP EQUITY

| <u>Liabilities</u> | <u>A.I. Liabilities</u> | <u>Non-A.I. Liabilities</u> | <u>Total</u> |
|--|-----------------------------|---------------------------------|-----------------|
| 13. Bank loans payable | \$ 1045 | \$ 1255 | \$ 1470 |
| 14. Payable to brokers or dealers: | | | |
| A. Clearance account | 1114 | 1315 | 1560 |
| B. Other | 1115 | 1305 | 1540 |
| 15. Payable to non-customers | 1155 | 1355 | 1610 |
| 16. Securities sold not yet purchased, at market value | | 188,345 1360 | 188,345 1620 |
| 17. Accounts payable, accrued liabilities, expenses and other | 1205 | 1385 | 1685 |
| 18. Notes and mortgages payable: | | | |
| A. Unsecured | 1210 | | 1690 |
| B. Secured | 1211 | 1390 | 1700 |
| 19. Liabilities subordinated to claims of general creditors: | | | |
| A. Cash borrowings: | | 1400 | 1710 |
| 1. from outsiders \$ | 970 | | |
| 2. Includes equity subordination (15c3-1 (d)) of \$ | 980 | | |
| B. Securities borrowings, at market value: from outsiders \$ | 990 | 1410 | 1720 |
| C. Pursuant to secured demand note collateral agreements: | | 400,000 1420 | 400,000 1730 |
| 1. from outsiders \$ | 1000 | | |
| 2. Includes equity subordination (15c3-1 (d)) of \$ | 1010 | | |
| D. Exchange memberships contributed for use of company, at market value | | 1430 | 1740 |
| E. Accounts and other borrowings not qualified for net capital purposes | 1220 | 1440 | 1750 |
| 20. TOTAL LIABILITIES | \$ - 1230 | \$ 588,345 1450 | \$ 588,345 1760 |

Ownership Equity

| | | |
|---|---------|-------------------|
| 21. Sole proprietorship | | \$ 1770 |
| 22. Partnership (limited partners) | \$ 1020 | 1780 |
| 23. Corporation: | | |
| A. Preferred stock | | 1791 |
| B. Common stock | | 10 1792 |
| C. Additional paid-in capital | | 299,990 1793 |
| D. Retained earnings | | 697,155 1794 |
| E. Total | | 997,155 1795 |
| F. Less capital stock in treasury | | 1796 |
| 24. TOTAL OWNERSHIP EQUITY | | \$ 997,155 1800 |
| 25. TOTAL LIABILITIES AND OWNERSHIP EQUITY | | \$ 1,585,500 1810 |

OMIT PENNIES

**FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER

F.J. Morrissey & Co., Inc.

as of 12/31/01

COMPUTATION OF NET CAPITAL

| | | |
|--|------------------------------|------|
| 1. Total ownership equity from Statement of Financial Condition | \$ 997,155 | 3480 |
| 2. Deduct ownership equity not allowable for Net Capital | ▼ ¹⁹ () 3490 | 3490 |
| 3. Total ownership equity qualified for Net Capital | 997,155 | 3500 |
| 4. Add: | | |
| A. Liabilities subordinated to claims of general creditors allowable in computation of net capital | 400,000 | 3520 |
| B. Other (deductions) or allowable credits (List) | | 3525 |
| 5. Total capital and allowable subordinated liabilities | \$ 1,397,155 | 3530 |
| 6. Deductions and/or charges: | | |
| A. Total nonallowable assets from Statement of Financial Condition (Notes B and C) | ▼ ¹⁷ \$ 124,209 | 3540 |
| B. Secured demand note deficiency | | 3590 |
| C. Commodity futures contracts and spot commodities-proprietary capital charges | | 3600 |
| D. Other deductions and/or charges | | 3610 |
| 7. Other additions and/or allowable credits (List) | (124,209) | 3620 |
| 8. Net capital before haircuts on securities positions | ▼ ²⁰ \$ 1,272,946 | 3640 |
| 9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)): | | |
| A. Contractual securities commitments | \$ | 3660 |
| B. Subordinated securities borrowings | | 3670 |
| C. Trading and investment securities: | | |
| 1. Exempted securities | ▼ ¹⁸ 107,686 | 3735 |
| 2. Debt securities | | 3733 |
| 3. Options | | 3730 |
| 4. Other securities | | 3734 |
| D. Undue Concentration | | 3650 |
| E. Other (List) Blockage | 27,454 | 3736 |
| 10. Net Capital | \$ 1,137,806 | 3750 |

OMIT PENNIE

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER

F.J. Morrissey & Co., Inc.

as of 12/31/01

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

| | | | |
|---|------|-----------|------|
| 11. Minimum net capital required (6-2/3% of line 19) | \$ | -0- | 3756 |
| 12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | \$ | 556,000 | 3758 |
| 13. Net capital requirement (greater of line 11 or 12) | \$ | 556,000 | 3760 |
| 14. Excess net capital (line 10 less 13) | \$ | 581,806 | 3770 |
| 15. Excess net capital at 1000% (line 10 less 10% of line 19) | ▼ \$ | 1,137,806 | 3780 |

COMPUTATION OF AGGREGATE INDEBTEDNESS

| | | | |
|--|------|------|------|
| 16. Total A.I. liabilities from Statement of Financial Condition | \$ | - | 3790 |
| 17. Add | | | |
| A. Drafts for immediate credit | ▼ \$ | 3800 | |
| B. Market value of securities borrowed for which no equivalent value is paid or credited | \$ | 3810 | |
| C. Other unrecorded amounts (List) | \$ | 3820 | 3830 |
| 19. Total aggregate indebtedness | \$ | = | 3840 |
| 20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10) | % | 0 | 3850 |
| 21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d) | % | 29 | 3860 |

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

| | | |
|--|------|------|
| 22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits | \$ | 3870 |
| 23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | ▼ \$ | 3880 |
| 24. Net capital requirement (greater of line 22 or 23) | \$ | 3760 |
| 25. Excess net capital (line 10 less 24) | \$ | 3910 |
| 26. Net capital in excess of: 5% of combined aggregate debit items or \$120,000 | \$ | 3920 |

OMIT PENNIE

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER F.J. Morrissey & Co., Inc.

For the period (MMDDYY) from 01/01/01 3932 to 12/31/01 3933
 Number of months included in this statement 12 3931

STATEMENT OF INCOME (LOSS)

REVENUE

| | | |
|---|--------------|------|
| 1. Commissions: | | |
| a. Commissions on transactions in exchange listed equity securities executed on an exchange | \$ 62,132 | 3935 |
| b. Commissions on listed option transactions | | 3938 |
| c. All other securities commissions | 47,260 | 3939 |
| d. Total securities commissions | 109,392 | 3940 |
| 2. Gains or losses on firm securities trading accounts | | |
| a. From market making in options on a national securities exchange | | 3945 |
| b. From all other trading | 1,681,623 | 3949 |
| c. Total gain (loss) | | 3950 |
| 3. Gains or losses on firm securities investment accounts | | 3952 |
| 4. Profit (loss) from underwriting and selling groups | | 3955 |
| 5. Revenue from sale of investment company shares | | 3970 |
| 6. Commodities revenue | | 3990 |
| 7. Fees for account supervision, investment advisory and administrative services | 50,000 | 3975 |
| 8. Other revenue | 114,004 | 3995 |
| 9. Total revenue | \$ 1,955,019 | 4030 |

EXPENSES

| | | |
|--|--------------|------|
| 10. Salaries and other employment costs for general partners and voting stockholder officers | \$ | 4120 |
| 11. Other employee compensation and benefits | 586,550 | 4115 |
| 12. Commissions paid to other broker-dealers | 306,887 | 4140 |
| 13. Interest expense | 1,734 | 4075 |
| a. Includes interest on accounts subject to subordination agreements | 4070 | |
| 14. Regulatory fees and expenses | 7,223 | 4195 |
| 15. Other expenses | 1,088,579 | 4100 |
| 16. Total expenses | \$ 1,990,973 | 4200 |

NET INCOME

| | | |
|---|--------------|------|
| 17. Net income (loss) before Federal income taxes and items below (Item 9 less Item 16) | \$ (35,954) | 4210 |
| 18. Provision for Federal income taxes (for parent only) | | 4220 |
| 19. Equity in earnings (losses) of unconsolidated subsidiaries not included above | | 4222 |
| a. After Federal income taxes of | 4238 | |
| 20. Extraordinary gains (losses) | | 4224 |
| a. After Federal income taxes of | 4239 | |
| 21. Cumulative effect of changes in accounting principles | | 4225 |
| 22. Net income (loss) after Federal income taxes and extraordinary items | \$ (35,954) | 4230 |

MONTHLY INCOME

| | | |
|---|--------------|------|
| 23. Income (current month only) before provision for Federal income taxes and extraordinary items | \$ (51,037) | 4211 |
|---|--------------|------|

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER

F. J. Morrissey & Co., Inc.

For the period (MMDDYY) from 01/01/01 to 12/31/01

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)**

| | | | |
|---|------|--------------|------|
| 1. Balance, beginning of period | | \$ 1,076,758 | 4240 |
| A. Net income (loss) | | (35,954) | 4250 |
| B. Additions (Includes non-conforming capital of | ↓ \$ | 4262 | 4260 |
| C. Deductions (Includes non-conforming capital of | \$ | 4272 | 4270 |
| | | (43,649) | |
| 2. Balance, end of period (From item 1800) | | \$ 997,155 | 4290 |

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS**

| | | | |
|--|------|---------|------|
| 3. Balance, beginning of period | ↓ \$ | 400,000 | 4300 |
| A. Increases | | | 4310 |
| B. Decreases | | | 4320 |
| 4. Balance, end of period (From item 3520) | \$ | 400,000 | 4330 |

OMIT PENNIES

F. J. Morrissey & Co., Inc.

STATEMENT OF CASH FLOWS

For the Year ended December 31, 2001

| | |
|--|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Net (loss) | \$ (35,954) |
| Net (purchase) sale of firm inventory | 41,474 |
| Non-cash income and expenses included in net income: | |
| Depreciation | 29,928 |
| (Gain) on sale of automobiles | (1,796) |
| Unrealized loss on firm trading | 8,328 |
| Net (increase) decrease in: | |
| Broker-dealer receivables | 6,520 |
| Other assets | (58,836) |
| Net increase (decrease) in: | |
| Accrued taxes and other payables | (7,212) |
| Net Cash (Used) in Operating Activities | (17,548) |
| | |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of equipment | (928) |
| Gross proceeds on sale of automobiles | <u>26,500</u> |
| Net Cash Provided by Investing Activities | <u>25,572</u> |
| | |
| Net Increase in Cash | 8,024 |
| | |
| Cash Balance, January 1, 2001 | <u>40,883</u> |
| | |
| Cash Balance, December 31, 2001 | <u>\$ 48,907</u> |

Supplemental Cash Flows Disclosures

| | |
|--------------------------------|----------|
| Cash paid during the year for: | |
| Interest | \$ 1,733 |
| Income taxes | \$ - |

See accompanying notes and accountant's report.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER F.J. Morrissey & Co., Inc.

as of 12/31/01

Exemptive Provision Under Rule 15c3-3

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

- | | | |
|--|------|------|
| A. (k) (1)—\$2,500 capital category as per Rule 15c3-1 | | 455C |
| B. (k) (2)(A)—"Special Account for the Exclusive Benefit of customers" maintained | | 456C |
| C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm ³¹ <u>FISERV SECURITIES, INC.</u> | 4335 | X |
| D. (k) (3)—Exempted by order of the Commission | | 457C |
| | | 458C |

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

| Type of Proposed withdrawal or Accrual See below for code to enter | Name of Lender or Contributor | Insider or Outsider? (In or Out) | Amount to be With- drawn (cash amount and/or Net Capital Value of Securities) | (MMDDYY) Withdrawal or Maturity Date | Expect to Renew (yes or no) |
|---|-------------------------------|-------------------------------------|--|---|--------------------------------------|
| ▼ 32 4600 | | 4601 | 4602 | 4603 | 4604 4605 |
| ▼ 33 4610 | | 4611 | 4612 | 4613 | 4614 4615 |
| ▼ 34 4620 | | 4621 | 4622 | 4623 | 4624 4625 |
| ▼ 35 4630 | | 4631 | 4632 | 4633 | 4634 4635 |
| ▼ 36 4640 | | 4641 | 4642 | 4643 | 4644 4645 |
| ▼ 37 4650 | | 4651 | 4652 | 4653 | 4654 4655 |
| ▼ 38 4660 | | 4661 | 4662 | 4663 | 4664 4665 |
| ▼ 39 4670 | | 4671 | 4672 | 4673 | 4674 4675 |
| ▼ 40 4680 | | 4681 | 4682 | 4683 | 4684 4685 |
| ▼ 41 4690 | | 4691 | 4692 | 4693 | 4694 4695 |
| TOTAL \$ ▼ None | | | | | 4699 |

OMIT PENNIES

Instructions: Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

- WITHDRAWAL CODE: DESCRIPTION
1. Equity Capital
 2. Subordinated Liabilities
 3. Accruals
 4. 15c3-1(c)(2)(iv) Liabilities

F. J. Morrissey & Co., Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

1. Organization and Nature of Business:

The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of NASDAQ, the National Association of Securities Dealers (NASD) and Securities Investor Protection Corporation (SIPC). The Company is considered a market maker in various banking and financial securities.

2. Summary of Accounting Policies:

- a. For financial statement purposes profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade-date basis. Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.
- b. Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.
- c. Marketable securities are valued at market value and securities not readily marketable are valued at fair value as determined by management. The resulting difference between cost and market value is included in income.
- d. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- e. Concentrations of Credit Risk - The Company is engaged in trading and brokerage activities in which counterparties primarily include broker-dealers and banks. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. It is the Company's policy to review, as necessary, the credit standing of each counterparty.
- f. Depreciation - For financial statement purposes, furniture and fixtures purchased subsequent to December 31, 1986 are being depreciated under the modified accelerated cost recovery system using estimated useful lives ranging from 5 to 7 years. Automobiles are being depreciated on a straight line basis with a useful life of 6 years.

3. Deposit with Clearing Organization:

At December 31, 2001 the Company's clearing broker maintains a security deposit of \$35,000 (cash) in their name.

F. J. Morrissey & Co., Inc.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

4. Receivable from Clearing Organization:

The Company clears all of its proprietary and customer transactions through another broker-dealer on a fully disclosed basis.

5. Securities Owned and Sold But Not Yet Purchased:

Marketable securities owned and sold but not yet purchased consist of trading account securities at quoted market values, as illustrated below:

| | <u>Owned</u> | <u>Sold But Not Yet Purchased</u> |
|------------------|-------------------|---|
| Corporate stocks | \$ <u>536,003</u> | \$ <u>188,345</u> |

6. Liabilities Subordinated to Claims of General Creditors:

Notes subordinated to the claims of general creditors are as follows:

| <u>Amount</u> | <u>Maturity</u> | <u>Interest Rate</u> |
|---------------|-----------------|----------------------|
| \$200,000 | 12/31/02 | 6% |
| \$200,000 | 12/31/02 | 6% |

The secured demand notes are collateralized by marketable securities having a value of \$829,015 at December 31, 2001.

The subordinated borrowings are covered by agreements approved by the National Association of Securities Dealers and are thus available in computing net capital under the Securities and Exchange Commission's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

At November 19, 2001, NASD Regulation, Inc. approved the extension of the maturity date to December 31, 2003.

7. Commitments:

- a. On July 25, 2001 the Company signed an amendment to their original lease. This amendment extended their lease for a six-month period until February 28, 2002. As of the date of this report an additional amendment was signed to further extend their lease until August 31, 2002. The remaining aggregate annual base rental for the office space is approximately \$42,600 for 2002.

F. J. Morrissey & Co., Inc.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

7. Commitments (Continued):

- b. The Company leases two vehicles for 36 months under noncancelable operating leases which expire November, 2002 and April, 2003 respectively. Both leases were subject to a capitalized cost reduction fee charged at inception. Both fees are capitalized and will be amortized over the 36 month lease life. The future minimum lease payments required under the operating leases as of December 31, 2001 are as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|--------------------|
| 2002 | \$14,622.33 |
| 2003 | <u>2,881.68</u> |
| | <u>\$17,504.01</u> |

The rent expense under these agreements for the year ended December 31, 2001 was \$13,901.91.

8. Profit Sharing 401(k) Plan:

The Company maintains a 401(k) retirement plan for its employees. Employees are eligible to participate after one year of service and attaining the age of 21. Under the terms of the Plan, employees are entitled to contribute a portion of their salary to the Plan.

No employer contributions were made in 2001.

9. Reconciliation of the Computation of Net Capital at December 31, 2001:

| | |
|--|--------------------|
| Net Capital as reported on the audit report | \$1,137,806 |
| Net Capital as reported on broker's most recent unaudited Part II filing | <u>1,175,732</u> |
| Difference | <u>\$ (37,926)</u> |

Explanation of Difference:

Market to market valuation differences on trading account, realized income on trading account and commissions earned, blockage test calculation differences, all due to Trade-Date vs. Settlement-Date accounting.

F. J. Morrissey & Co., Inc.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2001

10. Pursuant to the Uniform Net Capital Rule (Rule 15c3-1) of the Securities and Exchange Commission, the respondent is required to maintain a minimum net capital as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2001, the respondent had net capital and net capital requirements of \$1,137,806 and \$556,000 (minimum) respectively. The respondent's ratio of net capital to aggregate indebtedness is 1 to .000.

11. Income Taxes:

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S Corporation. In lieu of corporate income taxes, the shareholders of an S Corporation are taxed individually on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the basic financial statements.

12. SIPC Certification Report:

For 2001, the Company was not required to file a supplemental report, which includes an opinion of an independent public accountant, on its status as a member in the Securities Investor Protection Corporation. For the audit period, a minimum assessment of \$150, as provided for in Section 4(d)(1)c of the Securities Investor Protection Act of 1970, has been assessed.