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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

SEC FILE NUMBER
8-43213

RECEIVED
FEB 28 2002

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:

CHARTER OAK ASSET MANAGEMENT, INC.

OFFICIAL USE ONLY
FIRM ID. NO.

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

1520 HIGHLAND AVENUE

(No. and Street)

CHESHIRE

CT

06410

(City)

(State)

(Zip Code)

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

ROBERT S. MALIK

203 272-3597 x1
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

FEDERICO & SETTE, P.C. (Michael Federico)

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

2690 Whitney Avenue, P. O. Box 185220 Hamden, CT 06518

(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

*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).

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OATH OR AFFIRMATION

I, ROBERT S. MALIK, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CHARTER OAK ASSET MANAGEMENT, INC., as of 12-31, 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:

RS Malik

Signature
President

Title

Louise Ferguson

Notary Public
Term Expires 2005

- 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).

CHARTER OAK ASSET MANAGEMENT, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2001

Independent Audit Report

To the Board of Directors
and Stockholders of:
Charter Oak Asset Management, Inc.
Cheshire, Connecticut

We have audited the accompanying balance sheet of Charter Oak Asset Management, Inc. as of December 31, 2001 and the related statements of income and retained earnings, 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 generally accepted auditing 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 Charter Oak Asset Management, Inc. as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles and pursuant to Section 17a-5(d) of the National Association of Securities Dealers, Inc.



February 20, 2002

CHARTER OAK ASSET MANAGEMENT, INC.
BALANCE SHEET
DECEMBER 31, 2001

ASSETS

Current Assets:

Cash \$ 41,362

Total Current Assets \$ 41,362

Fixed Assets:

Office Equipment 25,494

Furniture & Fixtures 22,503

Total Fixed Assets 47,997

Less: Accumulated Depreciation (29,715)

Fixed Assets - Net 18,282

Other Assets:

Investments - Note 7 18,900

Security Deposits 1,709

Total Other Assets 20,609

TOTAL ASSETS \$ 80,253

EXHIBIT A

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:

Accounts Payable \$3,968

Total Liabilities 3,968

Stockholder's Equity:

Common Stock - no par, 5,000 shares
authorized, 2,100 shares issued and
outstanding 7,000

Retained Earnings 69,285

Total Stockholder's Equity 76,285

TOTAL LIABILITIES AND
STOCKHOLDER'S EQUITY \$ 80,253

See Accompanying Notes to Financial Statements.

EXHIBIT B

CHARTER OAK ASSET MANAGEMENT, INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED
DECEMBER 31, 2001

Services	\$ 345,414
General & Administrative Expenses	<u>340,069</u>
Operating Income	5,345
Other Income & (Expense):	
Dividend Income	3,411
Depreciation Expense	(<u>4,252</u>)
Net Income Before Provision For Income Taxes	4,504
Provision for Income Taxes - Note 3	<u>235</u>
Net Income	4,739
Retained Earnings - January 1, 2001	<u>64,546</u>
Retained Earnings - December 31, 2001	<u>\$ 69,285</u>

See Accompanying Notes to Financial Statements.

CHARTER OAK ASSET MANAGEMENT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
DECEMBER 31, 2001

Cash Flows from Operating Activities:

Net Income - Exhibit B	\$ 4,739
Adjustments to reconcile net income to net cash flows provided by operating activities:	
Depreciation	4,252
Decrease in Prepaid Taxes	1,082
Decrease in Deferred Taxes	(235)
Decrease in Accounts Payable	(1,954)
Decrease in Accrued Income Taxes	(<u>250</u>)
Net Cash Flows Provided by Operating Activities:	<u>7,634</u>
Net Increase in Cash	7,634
Cash and Cash Equivalents - January 1, 2001	<u>33,728</u>
Cash and Cash Equivalents - December 31, 2001	<u>\$ 41,362</u>

Supplemental Disclosure of Cash Flow Information

Cash Paid for Income Taxes \$ 0

See Accompanying Notes to Financial Statements.

CHARTER OAK ASSET MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS

1. Organization:

Charter Oak Asset Management, Inc. was organized and incorporated on February 27, 1987. The Corporation's stock is wholly owned by Robert Malik. The Company is engaged in providing investment advice to the general public.

2. Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

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 period. Actual results could differ from those estimates and those differences may be material.

Fixed assets are stated at historical cost. Depreciation is computed utilizing the straight line method over the assets estimated useful life.

For the purpose of the statement of cash flows the Company considers cash in its operating accounts as cash and cash equivalents.

Advertising and or promotion costs, which are included in general and administrative expenses, are expensed as incurred.

CHARTER OAK ASSET MANAGEMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS

3. Income Taxes:

The Company has elected to be taxed as a Subchapter "S" Corporation under Section 1362 in The Internal Revenue Code. This section provides that in lieu of corporate income taxes, the stockholder is taxed on the Company's taxable income.

The provision for State Income Taxes at December 31, 2001 was as follows:

Deferred Portion	(<u>235</u>)
	(\$ <u>235</u>)

4. Net Capital Requirements:

The Company is subject to the NASD net capital rule, Section 17A-5(d), which requires the maintenance of minimum net capital and requires the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2001, the Company had net capital of \$ 36,566 which was \$ 31,566 in excess of its required net capital of \$5,000.

5. SEC Rule 15c3-3 Exemption:

Charter Oak Asset Management, Inc. claims an exemption from Securities and Exchange Commission Rule 15c3-3 as a result of its limited business activities as a Broker Dealer as outlined at Rule 15c3-3(k)(1) *i, ii, and iii*.

CHARTER OAK ASSET MANAGEMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS

6. Leasing Arrangements:

The Company operates from office space located at 1520 Highland Avenue, Cheshire, Connecticut. The lease is a three year lease that is renewable for an additional two year period. The Company elected to exercise its option to renew its lease through September 2003. The Company is currently paying rent at the base rent of \$1,773 per month.

The future minimum lease payments for the above noted lease for the years following December 31, 2001 are as follows:

<u>For the year ending</u> <u>December 31,</u>	<u>Amount</u>
2002	\$ 21,276
2003	<u>14,184</u>
Total	<u>\$ 35,460</u>

7. Investments:

The amount presented here, namely \$18,900, represents the purchase of 1500 shares of NASDAQ Stock Market, Inc.

8. Pension Plan:

The Company has instituted a Simplified Employee Pension for all eligible employees. The contribution to the plan for the year ended December 31, 2001 is \$28,781.

INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTAL INFORMATION

To the Board of Directors
and Stockholders of:
Charter Oak Asset Management, Inc.
Cheshire, Connecticut

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional data included in the following schedules are presented for the purpose of additional analysis and is not a required part of the basic financial statements. 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.



February 20, 2002

SCHEDULE B-1

CHARTER OAK ASSET MANAGEMENT, INC.
 SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
 FOR THE YEAR ENDED
 DECEMBER 31, 2001

Broker Dealer Dues & Fees	\$ 1,626
Research and Product Development	3,183
Auto Expense	2,784
Computer Supplies	106
Donations	11,010
Dues & Fees	348
Equipment Rental & Maintenance	1,886
Insurance	12,095
Consulting Fees	5,040
Legal & Accounting	1,387
Office Expenses	12,797
Pension Expense	28,781
Software	262
Rent	20,767
Salaries	221,875
Subscriptions	2,511
Taxes - Payroll	9,890
Taxes - Other	645
Telephone & Utilities	<u>3,076</u>
 Total General & Administrative Expenses	 <u>\$340,069</u>

See Accompanying Independent Auditor's Report on Supplemental Information.

CHARTER OAK ASSET MANAGEMENT, INC.
COMPUTATION OF NET CAPITAL
DECEMBER 31, 2001

Total Ownership Equity	\$ 76,285
Total Non-Allowable Assets	(<u>38,892</u>)
Net Capital Before "Haircuts"	37,393
Less: "Haircuts"	
2% of Money Market Funds	(<u>827</u>)
Net Capital	<u>\$ 36,566</u>

No Material Differences Exist

See Accompanying Independent Auditor's Report on Supplemental Information.

CHARTER OAK ASSET MANAGEMENT, INC.
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT
DECEMBER 31, 2001

A. Minimum Net Capital Required (Based on Aggregate Indebtedness 6.67% of AI)	\$ 264
B. Minimum Dollar Requirement	<u>5,000</u>
Net Capital Requirement: Greater of A or B	5,000
Excess Net Capital	31,566
Excess Net Capital @ 1000% (Net Capital - 10% of AI)	36,169
Total AI Indebtedness (AI Liabilities from Balance Sheet)	\$ 3,969

No Material Differences Exist

See Accompanying Independent Auditor's Report on Supplemental
Information.

CHARTER OAK ASSET MANAGEMENT, INC.

INDEPENDENT AUDITOR'S REPORT ON

INTERNAL CONTROL

To the Board of Directors
Charter Oak Asset Management, Inc.
Cheshire, Connecticut

In planning and performing our audit of the financial statements, we considered the Company's internal control structure 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. We noted no certain matters involving the internal control structure and its operation that we considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the 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. We noted no matters involving the internal control structure and its operation that we consider to be a material weakness.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended for the information of the management of Charter Oak Asset Management, Inc. and the National Association of Securities Dealers, Inc.



February 20, 2002

A Professional Corporation of Certified Public Accountants and Consultants