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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20540

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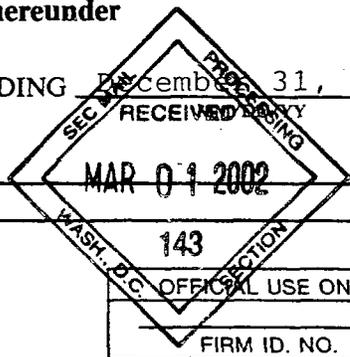
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

**FACING PAGE**

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

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



**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

MORRIS GROUP, INC.

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

3950 PRIORITY WAY SOUTH

(No. and Street)

INDIANAPOLIS

INDIANA

46240

(City)

(State)

(Zip Code)

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

John B. Simmons

(317) 580-9440

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

PROCESSED

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

PRICE & GARTRELL, P.C.

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

MAR 21 2002  
THOMSON  
FINANCIAL

8465 KEYSTONE CROSSING, STE. 195

INDIANAPOLIS

INDIANA

46240

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

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

Handwritten signature and date 3/20/02

FOR OFFICIAL USE ONLY

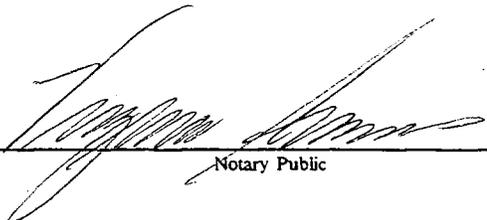
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

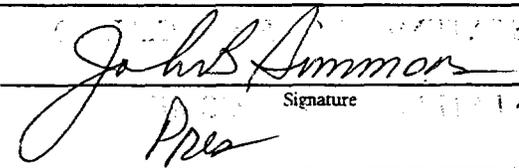
OATH OR AFFIRMATION

I, John B. Simmons, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MORRIS 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
\_\_\_\_\_  
Notary Public

  
\_\_\_\_\_  
Signature  
Pres  
\_\_\_\_\_  
Title

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).

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Morris Group Inc.  
Indianapolis, Indiana

## Independent Auditor's Report

We have audited the accompanying statement of financial condition of Morris Group Inc., as of December 31, 2001, and the related statements of income, changes in stockholder'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 have 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 condition of Morris 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 generally accepted accounting principles.

Our examination was made for the purpose of forming an opinion on the basic financial statements, taken as a whole. The information contained on page 6 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 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the examination 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.

*Price & Gartrell, P.C.*

PRICE & GARTRELL, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

January 27, 2002

Stephen D. Price, C.P.A.  
H. Lynn Gartrell, C.P.A.

Joseph G. Miller, Jr., C.P.A.  
Frank T. Crislip, Jr., C.P.A.

MORRIS GROUP, INC.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2001

ASSETS

Cash	\$ 16,618
Commissions receivable	729
Prepaid insurance	5,732
Investment – 300 warrants of the National Association of Securities Dealers, Inc., at cost	<u>3,300</u>
Total assets	<u>\$ 26,379</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Accounts payable and accrued expenses	<u>\$ 8,911</u>
Stockholder's equity:	
Common stock, authorized 1,000 shares no par, issued and outstanding 100 shares	1,000
Additional paid-in capital	6,100
Retained earnings	<u>10,368</u>
Total stockholder's equity	<u>17,468</u>
Total liabilities and stockholder's equity	<u>\$ 26,379</u>

See accompanying notes to financial statements.

MORRIS GROUP, INC.  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2001

REVENUE	
Commissions and fees	\$ 414,850
Interest and dividends	<u>888</u>
Total revenue	<u>415,738</u>
EXPENSES	
Salaries	22,000
Commissions	355,665
Legal and professional	2,612
Registrations and fees (net of reimbursements)	(1,630)
Insurance	10,086
Office supplies	1,915
Payroll taxes	<u>2,173</u>
Total expenses	<u>392,821</u>
Net income	<u>\$ 22,917</u>

See accompanying notes to financial statements.

MORRIS GROUP, INC.  
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Common Stock</u>	<u>Additional Paid In Capital</u>	<u>Retained Earnings</u>
Balance at January 1, 2001	\$ 1,000	\$ 6,100	\$ 6,202
Net income			22,916
Dividends paid	_____	_____	(18,750)
Balance at December 31, 2001	<u>\$ 1,000</u>	<u>\$ 6,100</u>	<u>\$ 10,368</u>

See accompanying notes to financial statements.

MORRIS GROUP, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2001

Net cash flow from operating activities:	
Net income	\$ 22,917
Adjustments to convert net income to net cash flow from operating activities:	
Increase in commissions receivable	(448)
Decrease in prepaid insurance	(3,423)
Increase in accounts payable and accrued expenses	<u>8,573</u>
Net cash flow from operating activities	27,619
Net cash flow from financing activities:	
Cash dividends paid	<u>(18,750)</u>
Net increase in cash	8,869
Cash, beginning of year	<u>7,749</u>
Cash, end of year	<u>\$ 16,618</u>

See accompanying notes to financial statements.

MORRIS GROUP, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Morris Group, Inc. was incorporated under the Indiana General Corporation Act, as amended, on October 22, 1982, for the primary purpose of engaging in the sale of Direct Participation Programs and doing business as a \$5,000 broker-dealer. The company is registered with the Securities and Exchange Commission and is a member of the National Association of Security Dealers.

Accounting Method - The books of record are maintained on the accrual basis method of reporting for both financial statement purposes and income tax purposes.

Income taxes are not reflected in the financial statements because its stockholder has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code wherein the stockholder is taxed directly on the Company's income.

2. NET CAPITAL REQUIREMENTS

The company is required to maintain a minimum net capital under rule 15C3-1 of the Securities and Exchange Commission. Net capital required under the rule is the greater of \$5,000 or 6 2/3 percent of the aggregate indebtedness of the company. As of December 31, 2001, net capital as defined by the rules, equaled \$8,104. The ratio of aggregate indebtedness to net capital was 110 percent. Net capital in excess of the minimum required was \$ 3,104.

3. LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

The company has not incurred any liabilities subordinated to claims of General Creditors since inception.

MORRIS GROUP, INC.  
 SUPPLEMENTARY SCHEDULES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2001

COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS  
 UNDER RULE 15C3-1 OF THE SECURITIES AND EXCHANGE COMMISSION  
 AS OF DECEMBER 31, 2001

Total ownership equity	\$	17,468
Deduct - non-allowable assets		
Haircut on securities - money market account		(332)
Non - allowable assets		<u>(9,032)</u>
Net capital		8,104

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required - 6 2/3% of aggregate indebtedness of \$5,000, whichever is greater		<u>5,000</u>
Excess net capital	\$	<u>3,104</u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total liabilities from statement of financial condition	\$	<u>8,911</u>
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RECONCILIATION OF NET CAPITAL UNDER RULE 15C3-1  
 OF THE SECURITIES AND EXCHANGE COMMISSION  
 PER UNAUDITED FOCUS IIA AND AUDITED COMPUTATION  
 AS OF DECEMBER 31, 2001

Net capital:		
Per net capital computation	\$	8,104
Per unaudited FOCUS IIA report		<u>8,104</u>
Difference	\$	<u>0</u>

To the Board of Directors of  
Morris Group, Inc.  
Indianapolis, Indiana

In planning and performing our audit of the financial statements of Morris Group, Inc. for the year ended December 31, 2001, we considered its 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 also made a study of the practices and procedures followed by the Company 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 making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13 or 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 or perform custodial function relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practice 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

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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 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 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.

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

*Price & Gantrell, P.C.*

PRICE & GARTRELL, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

January 24, 2002