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

AR 3/13/02

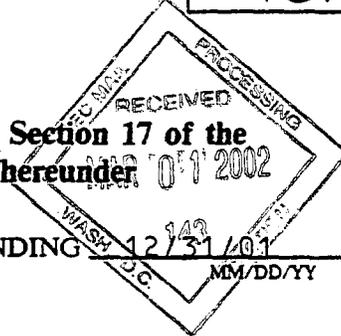
OMB APPROVAL  
OMB Number: 3235-0123  
Expires: September 30, 1998  
Estimated average burden  
hours per response . . . 12.00

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

SEC FILE NUMBER  
8-51513

**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:

Support Services, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

7335 East Orchard Road Suite 200

(No. and Street)

Greenwood Village, Colorado 80111

(City)

(State)

(Zip Code)

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

Patty DeLucas

(720) 489-1630

(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

JDS Professional Group (formerly Dollinger, Smith & Co)

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

5655 S. Yosemite Street Suite 100 Englewood, Co 80111

(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 26 2002

THOMSON  
FINANCIAL

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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).

UJ  
3-22-02

## OATH OR AFFIRMATION

I, H. Allen Sharkey, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Support Services, Inc., as of December 31, 1901, 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

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

My Commission Expires  
10/19/2002

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 ON INTERNAL CONTROL REQUIRED BY SEC RULE 17A-5 FOR A  
BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15C3-3**

To the Board of Directors  
of Support Services, Inc.:

In planning and performing our audit of the financial statements and supplemental schedules of Support Services, Inc. (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 internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for 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 quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. 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

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 controls 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

*Members:*

*American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants*

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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 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 limitations in internal control or the practices and procedures referred to above, error 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.

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 the specific internal control components does not reduce to a relatively low level the risk that error 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 control activities 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 Board of Directors, management, the SEC, National Association of Securities Dealers (NASD), and other regulatory agencies that 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.

*JDS Professional Group*

Englewood, Colorado  
February 13, 2002

**SUPPORT SERVICES, INC.**

Financial Statements As Of  
December 31, 2001 and 2000

Together With Independent Auditors' Report

**JDS** professional  
group  
certified public accountants, consultants and advisors

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
of Support Services, Inc.:

We have audited the accompanying statements of financial condition of Support Services, Inc. as of December 31, 2001 and 2000, and the related statements of income, changes in stockholders' equity and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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 Support Services, Inc. as of 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II 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.

*JDS Professional Group*

Englewood, Colorado  
February 13, 2002

*Members:*

*American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants*

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**SUPPORT SERVICES, INC.**Statements Of Financial Condition  
As Of December 31, 2001 and 2000

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<b>ASSETS</b>	<u>2001</u>	<u>2000</u>
Cash	\$127,827	\$ 16,529
Receivables from non-customers	126,209	44,246
Securities Owned:		
Government securities money fund, at market value	279,653	201,858
Freddie Mac Discount note, at market value		67,165
NASDAQ stock	8,500	8,500
Property and Equipment:		
Office equipment and furniture	55,811	55,811
Data processing equipment and software	93,424	92,831
Total Property and Equipment	149,235	148,642
Less accumulated depreciation	(93,330)	(78,792)
Net Property and Equipment	55,905	69,850
Other Assets:		
Prepaid income taxes		1,695
Other prepaid expenses	17,702	19,694
Deferred tax asset	19,924	18,850
<b>TOTAL ASSETS</b>	<u>\$635,720</u>	<u>\$448,387</u>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Accounts payable	\$ 25,945	\$ 24,989
Accrued expenses	139,949	88,501
Deferred revenue	87,084	
Deferred tax liability	14,945	16,243
Total Liabilities	267,923	129,733
Stockholders' Equity:		
Common Stock	71,760	71,760
Common Stock - Class B	5,000	5,000
Retained earnings	291,037	241,894
Total Stockholders' Equity	367,797	318,654
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$635,720</u>	<u>\$448,387</u>

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

**SUPPORT SERVICES, INC.**Statements Of Income  
For The Years Ended December 31, 2001 and 2000

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	<u>2001</u>	<u>2000</u>
Revenue:		
Service fees	\$ 882,556	\$ 828,893
Commission and related revenue	339,800	346,547
Interest	10,653	12,801
Other	<u>32,320</u>	<u>21,463</u>
Total Revenue	<u>1,265,329</u>	<u>1,209,704</u>
Expenses:		
Salaries and benefits	850,172	859,527
Office	94,816	96,920
Meetings and travel	46,958	51,041
Professional fees	13,911	8,788
Building expense	57,088	57,119
Depreciation	14,537	18,426
Other	<u>9,239</u>	<u>10,612</u>
Total Expenses	<u>1,086,721</u>	<u>1,102,433</u>
Net income before income taxes	178,608	107,271
Income tax expense	<u>59,465</u>	<u>24,693</u>
<b>NET INCOME</b>	<u><u>\$ 119,143</u></u>	<u><u>\$ 82,578</u></u>

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

**SUPPORT SERVICES, INC.**Statements Of Changes In Stockholders' Equity  
For The Years Ended December 31, 2001 and 2000

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	<u>Common Stock</u>		<u>Retained Earnings</u>	<u>Total Stockholder Equity</u>
	<u>Shares</u>	<u>Amount</u>		
Balance, December 31, 1999	12,176	\$ 76,760	\$ 229,316	\$ 306,076
Dividends paid			(70,000)	(70,000)
Net income			<u>82,578</u>	<u>82,578</u>
Balance, December 31, 2000	12,176	76,760	241,894	318,654
Dividends paid			(70,000)	(70,000)
Net income			<u>119,143</u>	<u>119,143</u>
Balance, December 31, 2001	<u>12,176</u>	<u>\$ 76,760</u>	<u>\$ 291,037</u>	<u>\$ 367,797</u>

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

**SUPPORT SERVICES, INC.**Statements Of Cash Flows  
For The Years Ended December 31, 2001 and 2000

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	<u>2001</u>	<u>2000</u>
Cash flows from operating activities:		
Net income	\$119,143	\$ 82,578
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	11,703	17,184
Loss on disposition of fixed assets		1,242
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(81,963)	2,634
Decrease in prepaid income taxes	1,695	9,045
Decrease in prepaid expenses	1,992	10,549
(Increase) in deferred tax asset	(1,074)	(3,165)
Increase (decrease) in accounts payable	956	(17,359)
Increase (decrease) in accrued expenses	51,448	(3,725)
Increase in deferred revenue	87,084	
(Decrease) in deferred tax liability	(1,298)	(3,128)
Net cash provided by operating activities	<u>189,686</u>	<u>95,855</u>
Cash flows from investing activities:		
Acquisitions of property and equipment	(593)	(6,860)
Proceeds on disposition of fixed assets		(75,665)
Maturity of note	<u>70,000</u>	
Net cash provided by (used in) investing activities	<u>69,407</u>	<u>(82,525)</u>
Cash flows from financing activities:		
Dividends paid	<u>(70,000)</u>	<u>(70,000)</u>
Net cash (used in) financing activities	<u>(70,000)</u>	<u>(70,000)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	189,093	(56,670)
Cash and cash equivalents, Beginning Of Year	<u>218,387</u>	<u>275,057</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$407,480</u></u>	<u><u>\$218,387</u></u>
Cash and cash equivalents:		
Cash	\$ 127,827	\$ 16,529
Government securities money fund	<u>279,653</u>	<u>201,858</u>
Total cash and cash equivalents, end of year	<u><u>\$ 407,480</u></u>	<u><u>\$ 218,387</u></u>
Supplemental cash flow disclosure:		
Income tax payments	\$ 30,223	\$ 22,488

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

(1) **Nature Of Company**

Support Services, Inc. ("SSI") is a Colorado Corporation that markets and services retirement programs to health care providers, processes worker's compensation and unemployment insurance claims, and provides other "fee for service" services to hospitals and other health care providers. SSI is registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD). SSI operates pursuant to SEC Rule 15c3-3(k)(1) limiting its broker-dealer business to the distribution of variable life insurance or annuities, including the sub-accounts thereof, as well as, mutual funds sold within 401(a), 403(b), 401(k), and 457 retirement plans. SSI is a subsidiary of the Colorado Health & Hospital Association ("CHA"), a non-profit organization.

(2) **Summary Of Significant Accounting Policies**

**Basis Of Accounting**

The financial statements of SSI have been prepared on the accrual basis.

**Cash And Cash Equivalents**

For purposes of the Statement of Cash Flows, SSI considers demand deposits and short-term investments with original maturities of 3 months or less as cash and cash equivalents.

**Revenue Recognition**

Income collected before being earned is recorded as deferred revenue and is recognizable within one year.

**Compensated Absences**

Accrued expenses are for vacation and sick leave benefits that employees have earned but have not yet taken as of year end.

**Allowance For Doubtful Accounts**

As all accounts receivable are considered collectible, accordingly, no allowance is deemed necessary.

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Use Of Estimates

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 reported period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost. SSI assets are being depreciated using the straight-line tax method of depreciation. Estimated useful lives used in depreciation calculations are as follows:

	<u>Estimated Useful Lives</u>
Office equipment and furniture	7 - 20 years
Data processing equipment and software	3 - 5 years

Income Taxes

SSI uses the asset and liability method as identified in the Statements of Financial Accounting Standards No. 109, Accounting For Income Taxes.

(3) Common Stock

Voting class -	\$10 par value, 50,000 shares authorized, 7,176 shares issued and outstanding. Owned 100% by CHA.
Non-voting -	\$1 par value, 50,000 shares authorized, 5,000 shares issued and outstanding. Owned 75% by CHA and 25% by Colorado Hospital Association Trust for Worker's Compensation.

**(4) Employee Benefit Plan**

SSI has a fully vested, non-contributory, defined contribution pension plan covering all full-time employees who have completed two years of service. Employer contributions are based upon a percentage of salary of covered employees were \$53,219 in 2001 and \$56,243 in 2000.

**(5) Leases**

SSI leases office space from CHA and four automobiles under operating leases. Minimum future rental payments under non-cancelable operating leases are as follows:

Year Ended December 31,

2002	\$70,293
2003	61,995
2004	<u>56,652</u>
	<u>\$188,940</u>

Total rent and lease expense totaled approximately \$71,000 and \$77,000 for the years ended December 31, 2001 and 2000, respectively.

**(6) Net Capital Requirements**

SSI is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). As of December 31, 2001, SSI had net capital of \$148,909, which was \$131,047 in excess of its required net capital of \$17,862. SSI's net capital ratio was 1.8 to 1.

**(7) Deferred Tax Asset**

Deferred income taxes for the years ended December 31, 2001 and 2000, reflect the impact of temporary differences between the amounts of assets and liabilities recorded for financial reporting purposes and such amounts as measured in accordance with tax laws.

The items which comprise a significant portion of deferred income tax assets for the years ended December 31, 2001 and 2000, are as follows:

	<u>2001</u>	<u>2000</u>
Deferred tax assets:		
Vacation accruals	\$ 19,924	\$ 18,850
Deferred tax liabilities:		
Depreciation	<u>14,945</u>	<u>16,243</u>
Deferred income tax asset, net	<u>\$ 4,979</u>	<u>\$ 2,607</u>

Significant components of the provision for income taxes are as follows:

	<u>2001</u>	<u>2000</u>
Current:		
Federal	\$45,187	\$14,424
State	<u>8,166</u>	<u>3,976</u>
Total Current	<u>53,353</u>	<u>18,400</u>
Deferred:		
Federal	5,562	4,909
State	<u>550</u>	<u>1,384</u>
Total deferred	<u>6,112</u>	<u>6,293</u>
Total income tax expense	<u>\$59,465</u>	<u>\$24,693</u>

The reconciliation of income tax computed at statutory rates of income tax expense is as follows:

Statutory rate	34.00%	34.00%
State income taxes, net of federal benefit	3.40	3.40
Other items, net	<u>(4.10)</u>	<u>(14.40)</u>
Effective tax rate	<u>33.30%</u>	<u>30.00%</u>

(8) **Concentrations Of Credit Risk**

SSI's cash demand deposits held at a financial institution exceeds FDIC insurance of up to \$100,000 by approximately \$20,000.

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(9) **Related Party Transactions**

SSI paid CHA \$54,930 in rent for office space in CHA's building in 2001 and 2000, respectively. In addition, SSI reimbursed CHA for various office supplies and office equipment used during 2001 and 2000. SSI paid CHA dividends of \$52,500 in each of the years ended December 31, 2001 and 2000, respectively. SSI's Board of Directors generally approves and distributes dividends for the prior year in the subsequent year.

**SUPPORT SERVICES, INC.**

Computation Of Net Capital Under Rule 15c3-1  
Of The Securities and Exchange Commission  
As Of December 31, 2001

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**SCHEDULE I**

Net capital	
Total stockholders' equity qualified for net capital	\$ 367,797
Add:	
Deferred tax liability	14,945
Total capital	<u>382,742</u>
Deductions and/or charges:	
Nonallowable assets:	
Investment - NASDAQ stock	8,500
Receivables from non-customers	126,209
Net property and equipment	55,905
Other prepaid expenses	17,702
Deferred tax asset	19,924
Haircuts on investments	<u>5,593</u>
Net capital	<u>\$ 148,909</u>
Aggregate indebtedness	
Items included in statement of financial condition:	
Accounts payable	\$ 25,945
Accrued expenses	139,949
Deferred revenue	87,084
Deferred tax liability	14,945
Total aggregate indebtedness	<u>\$ 267,923</u>
Computation of basic net capital requirement	
Minimum net capital required	<u>\$ 17,862</u>
Excess net capital at 1,000 percent	<u>\$ 131,047</u>
Ratio: Aggregate indebtedness to net capital	<u>1.8 to 1</u>

Reconciliation with SSI's computation:

There is no material difference between audited net capital and SSI's computation as reflected in Part II of Form X-17A-5 as of December 31, 2001, and therefore no reconciliation is necessary.

**SUPPORT SERVICES, INC.**

Reference To Other Supplemental Information Required By Rule  
17a-5 Under The Securities Exchange Act  
As Of December 31, 2001

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**SCHEDULE II**

Statement of Changes in Liabilities Subordinated  
to Claims of Creditors

Not applicable

Computation for Determination of Reserve  
Requirements Pursuant to Rule 15c3-3

Exemption from rule 15c3-3  
is claimed (limited basis)

Information Relating to the Possession or Control  
Requirements Under Rule 15c3-3

Exemption from rule 15c3-3  
is claimed (limited basis)

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

Exemption from rule 15c3-3  
is claimed (limited basis)

A Reconciliation between the audited and unaudited Statements  
of Financial Condition with respect to methods of  
consolidation

Not applicable

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