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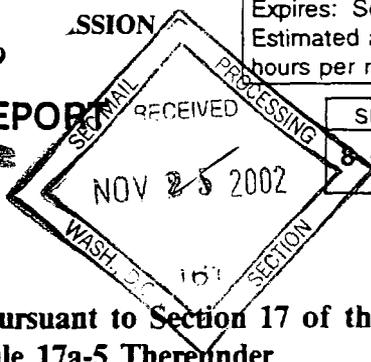


SECURITIES 02021067  
Washington, D.C. 20549

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



SEC FILE NUMBER  
843143

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 10/01/2001 AND ENDING 09/30/2002  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Morrison Investments, Inc.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
620 W. Roosevelt Rd. Suite C2  
(No. and Street)  
Wheaton IL 60187  
(City) (State) (Zip Code)

OFFICIAL USE ONLY  
FIRM ID. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Thomas A. Morrison 630-752-1155  
(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Slupik & Associates, Ltd. Certified Public Accountants  
(Name — if individual, state last, first, middle name)  
1700 Park Street, Suite 202 Naperville IL 60563  
(Address) (City) (State) (Zip Code)

CHECK ONE:  
 Certified Public Accountant  
 Public Accountant  
 Accountant not resident in United States or any of its possessions.

PROCESSED  
DEC 19 2002  
THOMSON  
FINANCIAL

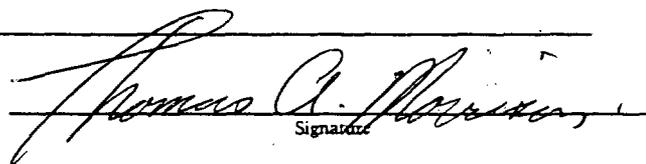
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

## OATH OR AFFIRMATION

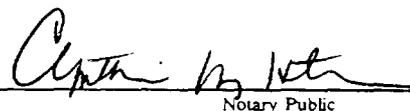
I, Thomas A. Morrison, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Morrison Investments, Inc., as of September 30, 2002, are true and correct. I further swear (or affirm) that neither the company 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:

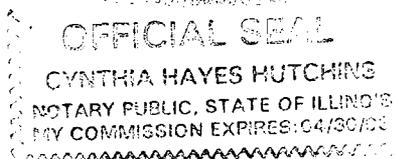
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Signature

Principal

Title

 11/15/2002  
Notary Public



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).

MORRISON INVESTMENTS, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2002

SLUPIK AND ASSOCIATES, LTD.  
CERTIFIED PUBLIC ACCOUNTANTS

MORRISON INVESTMENTS, INC.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3
STATEMENT OF FINANCIAL CONDITION AS OF SEPTEMBER 30, 2002	4
STATEMENT OF INCOME FOR THE YEAR ENDED SEPTEMBER 30, 2002	5
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2002	6
STATEMENT OF CHANGES IN LIABILITIES FOR THE YEAR ENDED SEPTEMBER 30, 2002	6
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2002	7
NOTES TO THE STATEMENT OF FINANCIAL CONDITION FOR THE YEAR ENDED SEPTEMBER 30, 2002	8-9
<b>SUPPLEMENTARY INFORMATION</b>	
COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1 COMPUTATION OF BASIC CAPITAL REQUIREMENT PURSUANT TO RULE 15c3-3 COMPUTATION OF AGGREGATE INDEBTEDNESS FOR THE YEAR ENDED SEPTEMBER 30, 2002	10
EXEMPTIVE PROVISION UNDER RULE 15c3-3 SUPPLEMENTAL REPORTS	11

SLUPIK AND ASSOCIATES, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

1700 PARK STREET, SUITE 202, NAPERVILLE, IL 60563  
PHONE (630) 357-0096 FAX (630) 357-0592

Independent Auditor's Report

The Board of Directors  
**MORRISON INVESTMENTS, INC.**  
Wheaton, Illinois

We have audited the accompanying statement of financial position of Morrison Investments, Inc. (an Illinois Corporation) as of September 30, 2002, and the related statements of income, changes in stockholder's equity, changes in liabilities subordinated to claims of general creditors 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 misstatements. 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 Morrison Investments, Inc. as of September 30, 2002 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 on pages 10 - 11 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 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.

*Slupik and Associates, Ltd.*

October 30, 2002

**MORRISON INVESTMENTS, INC.**

STATEMENT OF FINANCIAL CONDITION  
SEPTEMBER 30, 2002

ASSETS	Allowable	Non- allowable	Total
Current Assets			
Cash and cash equivalents	\$ 38,365	\$ -	\$ 38,365
Investments at market (Note 2)	21,622	3,300	24,922
Accounts receivable	6,306	-	6,306
Total Current Assets	66,293	3,300	69,593
Other Assets			
Deposits	-	2,971	2,971
Total Other Assets	-	2,971	2,971
<b>TOTAL ASSETS</b>	<b>\$ 66,293</b>	<b>\$ 6,271</b>	<b>\$ 72,564</b>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Current Liabilities			
Accounts payable		\$ 2,977	
Accrued income taxes		449	
Total Current Liabilities		3,426	
Total Liabilities		3,426	
Stockholder's Equity			
Capital stock			
No par value; at stated value:			
Authorized - 1,000 shares,			
issued and outstanding 1,000 shares			10,000
Paid in capital			3,955
Retained earnings			55,183
Total Stockholder's Equity			69,138
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>		<b>\$ 72,564</b>	

# MORRISON INVESTMENTS, INC.

## STATEMENT OF INCOME YEAR ENDED SEPTEMBER 30, 2002

<b>Revenues</b>	
Commissions	\$ 186,315
Trading and monitoring fee income	176,691
Interest, dividends & capital gains	1,746
Unrealized loss on firm securities investment account	(3,518)
Other income	1,641
	<hr/>
Total revenues	362,875
	<hr/>
<b>Expenses</b>	
Regulatory fees and expenses	866
Other operating expenses:	
General and administrative costs	276,002
Officer salaries	48,000
Pension plan expense	9,498
Signature guarantee expense	295
Professional fees	1,550
Dues and subscriptions	300
Insurance	150
Other	89
	<hr/>
Total expenses	336,750
	<hr/>
<b>Income before income taxes</b>	26,125
<b>Income taxes (Note 3)</b>	449
	<hr/>
<b>Net Income</b>	<u>\$ 25,676</u>

MORRISON INVESTMENTS, INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
YEAR ENDED SEPTEMBER 30, 2002

Beginning balance, October 1, 2001	\$ 59,462
Net income for the year	25,676
Distributions to stockholder	<u>(16,000)</u>
Ending balance, September 30, 2001	<u>\$ 69,138</u>

STATEMENT OF CHANGES IN LIABILITIES  
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS  
YEAR ENDED SEPTEMBER 30, 2002

Balance, September 30, 2001	\$ -
Increase	-
Decrease	<u>-</u>
Balance, September 30, 2002	<u>\$ -</u>

# MORRISON INVESTMENTS, INC.

## STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2002

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net income	\$ 25,676
Adjustments to reconcile net income to cash provided by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	1,058
Investments	1,773
Other assets	(488)
Accounts payable	934
Accrued income taxes	(25)
Total adjustments	3,252
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>28,928</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sale of investments	11,483
Purchase of investments	<u>(11,483)</u>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Distributions to stockholder	<u>(16,000)</u>
<b>NET CASH (USED) BY FINANCING ACTIVITIES</b>	<u>(16,000)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	12,928
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>25,437</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 38,365</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>	
Cash paid during the year for:	
Interest	-
Income taxes	\$ 474

**MORRISON INVESTMENTS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2002**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of the Business**

Morrison Investments, Inc. was incorporated in the State of Illinois in August, 1990. The Company is registered as a broker dealer and provides various financial services commensurate therewith. As a broker dealer, the Company is subject to the minimum net capital requirements of Rule 15c3-1 of the Securities and Exchange Commission and is exempt from Rule 15c3-3.

**Cash and Cash Equivalents**

The Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

**Use of Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenue and expenses. Actual results could vary from the estimates that were used.

**Concentration of Credit Risk**

The Company places its cash equivalents with high credit quality financial institutions, which are federally insured up to prescribed limits. However, the amount of cash equivalents at any one institution at any given time may exceed these limits. Cash in banks, based on bank balances at September 30, 2002, did not exceed federally insured prescribed limits.

**Accrual Basis**

The accompanying statement of financial condition has been prepared on the accrual basis.

**Investments**

In accordance with specialized industry practices, unrealized gains and losses are recognized on the investments held by the Company.

**Related Party**

The Company shares office and administrative costs with a related party company known as Morrison Financial Services, Ltd. Morrison Investments, Inc. share of the general and administrative cost was \$276,002 and its share of salaries was \$48,000 in the current fiscal year. Morrison Financial Services, Ltd. also maintains a combination Money Purchase Plan. Morrison Investment Services, Ltd. owed Morrison Financial Services, Inc. \$1,492 at September 30, 2002.

**NOTE 2 - INVESTMENTS**

At September 30, 2002, the investments held had a market value of \$24,922, which represents an decrease of \$1,773 from the prior year after accounting for reinvested dividends and realized capital gains.

Following is a summary of investments at September 30, 2002:

Mutual Funds	\$21,622
Nasdaq Stock Warrants	3,300
	<hr/>
	\$24,922

**MORRISON INVESTMENTS, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2002**

**NOTE 3 - INCOME TAXES**

In accordance with an election under Subchapter S of the Internal Revenue Code, the income for tax purposes is separately reportable on the individual income tax return of the Company's sole shareholder. Therefore, no provision for federal income taxes is reflected in these financial statements. The current provision represents the statutory provision for state income taxes, where the Subchapter S election does not apply. For federal income tax purposes, had the Company been a regular C Corporation, the federal statutory provision would have been \$4,571.

**NOTE 4 - NET CAPITAL REQUIREMENTS**

The Company 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). The Company had net capital of \$59,624 which was \$54,624 in excess of its required net capital of \$5,000. The Company's net capital ratio was .06 to 1.

SUPPLEMENTARY INFORMATION

**MORRISON INVESTMENTS, INC.**

COMPUTATION OF NET CAPITAL  
SEPTEMBER 30, 2002

Total ownership equity from statement of financial condition	\$ 69,138
Deduct ownership equity not allowable for net capital	<u>-</u>
Total ownership equity qualified for net capital	69,138
Add liabilities subordinated to claims of general creditors allowable in computation of net capital and other allowable credits	<u>-</u>
Total capital and allowable subordinated liabilities	69,138
Deduct nonallowable assets from statement of financial condition	<u>6,271</u>
Net capital before haircuts on securities positions	62,867
Haircuts on securities	<u>3,243</u>
Net capital	<u><u>\$ 59,624</u></u>

COMPUTATION OF BASIC CAPITAL REQUIREMENT  
SEPTEMBER 30, 2002

Minimum net capital required (6 2/3% of aggregate indebtedness)	<u><u>\$ 228</u></u>
Minimum dollar net capital requirement	<u><u>\$ 5,000</u></u>
Net capital requirement	\$ 5,000
Net capital as in above computation	<u>59,624</u>
Excess net capital	<u><u>\$ 54,624</u></u>
Excess net capital at 1000%	<u><u>\$ 59,281</u></u>

COMPUTATION OF AGGREGATE INDEBTEDNESS  
SEPTEMBER 30, 2002

Total aggregate indebtedness	<u><u>\$ 3,426</u></u>
Percentage of aggregate indebtedness to net capital	<u><u>5.75%</u></u>

**MORRISON INVESTMENTS, INC.**

**EXEMPTIVE PROVISION UNDER RULE 15c3-3  
SEPTEMBER 30, 2002**

Morrison Investments, Inc., because of the limited nature of its operations, which places the corporation in the \$5,000 capital category as per Rule 15c3-1, is exempt from Rule 15c3-3. The corporation has limited its activities to the representation of mutual funds, variable annuities, and limited partnerships. Individual securities will not be represented and the corporation does not hold funds or securities for, or owe money or securities to customers.

In our opinion, the conditions of the corporation's exemption were being complied with as of the audit date. No facts came to our attention to indicate that the exemption has not been complied with.

**SUPPLEMENTAL REPORT  
SEPTEMBER 30, 2002**

Our audit for the year ended September 30, 2002 did not disclose any material inadequacies existing.

**SUPPLEMENTAL REPORT  
SEPTEMBER 30, 2002**

Our audit for the year ended September 30, 2002 found no material differences existing between the Audited Computation on Net Capital and the broker/dealer's corresponding initial computation of Net Capital.