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 SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

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

SEC FILE NUMBER
 17615

FACING PAGE
 Information Required of Brokers and Dealers Pursuant to Section 17 of 2002
 Securities Exchange Act of 1934 and Rule 17c-5 thereunder

REPORT FOR THE PERIOD BEGINNING 04/01/01 AND ENDING 03/31/02
 MM/DD/YY MM/DD/YY

SEC MAIL RECEIVED
 JUN 10 2002
 WASHINGTON, D.C. 20549

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Pflueger & Baerwald Inc.

OFFICIAL USE ONLY
 FIRM I.D. NO.

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

220 Sansome Street, Suite 700

(No. and Street)

San Francisco

CA

(City)

(State)

REC'D S.E.C.
 JUN 10 2002
 104-2722

Zip Code)

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

Paul J. Ruby

415-421-4171

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Maloney, Kent Paul - Smith Maloney Accountancy Corp

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

4535 Missouri Flat Rd., Suite 2D, P.O. Box 1068, Placerville, CA 95667

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

JUN 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)

SEC 1410 (05-01)

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Paul J. Ruby, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Pflueger & Baerwald Inc., as of March 31, 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:

P.J. Ruby
Signature

President
Title

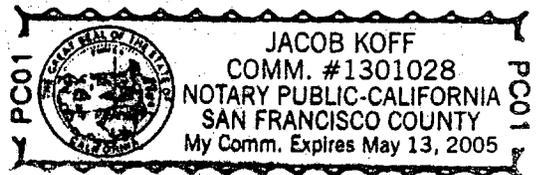
[Signature]
Notary Public

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 Proprietors' 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 15c3-3 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).

State of California
County of San Francisco
Subscribed and sworn to
before me on 5-23-02
[Signature]
Jacob Koff
Notary Public



**PFLUEGER & BAERWALD INC.
FINANCIAL STATEMENTS
MARCH 31, 2002**



CERTIFIED PUBLIC ACCOUNTANTS

Jim Smith • Kent P. Maloney

4535 Missouri Flat Road, Suite 2D • P.O. Box 1068
Placerville, Ca 95667

ph: (530) 622-2460 fax: (530) 622-0156

email: smac@cpa4u.com website: www.cpa4u.com

The Board of Directors
Pflueger & Baerwald Inc.
San Francisco CA 94104

Independent Auditors' Report

We have audited the accompanying balance sheet of Pflueger & Baerwald Inc. as of March 31, 2002, and 2001, and the related statements of income and retained earnings and cash flows for the years 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 audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits 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 and the procedures meet Security and Exchange Commission objectives.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pflueger & Baerwald Inc. as of March 31, 2002, and 2001, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

A handwritten signature in cursive script that reads "Smith Maloney".

Placerville, CA
May 24, 2002

PFLUEGER & BAERWALD INC.

BALANCE SHEET

MARCH 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
ASSETS		
Current assets:		
Cash	\$ 2,526,581	\$ 384,590
Accounts receivable:		
Customers	4,645,380	5,884,066
Brokers, dealers and clearing house	16,603	215,468
Other	24,758	85,857
Secured demand notes receivable (note 9)	300,000	300,000
Investments at cost (market value \$5,320,857) (note 14)	5,198,518	4,991,828
Prepaid expenses, deposits and dividends receivable	65,827	40,946
Deferred income tax expense	198	445
Total current assets	<u>12,777,865</u>	<u>11,903,200</u>
Memberships:		
Pacific Stock Exchange, at cost (market value \$34,000)	5,700	5,700
National Securities Clearing Corp., at cost	70,917	48,417
Total memberships	<u>76,617</u>	<u>54,117</u>
Fixed assets:		
Furniture and equipment, net of accumulated depreciation of \$ 85,661	1,476	5,547
	<u>\$ 12,855,958</u>	<u>\$ 11,962,864</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Payable to banks	\$ 825,000	\$ 850,000
Payable to customers	10,341,392	9,481,475
Payable to clearing house	1,670	50,167
Payable to officers	528,667	382,051
Other current liabilities	27,846	73,859
Total current liabilities	<u>11,724,575</u>	<u>10,837,552</u>
Other liabilities:		
Subordinated borrowings (note 10)	300,000	300,000
Total liabilities	<u>12,024,575</u>	<u>11,137,552</u>
Stockholders' equity:		
Common stock, par value \$1.00; 75,000 shares authorized; 10,666 shares issued and outstanding	10,666	10,666
Additional paid-in capital	250,593	250,593
Retained earnings	570,124	564,053
Total stockholders' equity	<u>831,383</u>	<u>825,312</u>
	<u>\$ 12,855,958</u>	<u>\$ 11,962,864</u>

See accompanying notes.

PFLUEGER & BAERWALD INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED MARCH 31, 2002 AND 2001

	<u>2,002</u>	<u>2001</u>
REVENUES		
Commissions	\$ 913,592	\$ 1,136,963
Interest	552,423	803,084
Revenues from bond account transactions	51,278	43,156
Revenue from mutual fund transactions	41,940	38,479
Service charges	3,195	3,365
Trading gains (losses)	22	194
Other	<u>26,812</u>	<u>53,542</u>
Total revenues	<u>1,589,262</u>	<u>2,078,783</u>
EXPENSES		
Salaries and commissions	660,554	931,446
Pension and profit-sharing plan contributions	63,063	99,002
Interest	247,312	331,015
Rent	99,434	86,650
Taxes	64,333	80,022
Insurance	57,370	49,271
Depreciation	7,255	6,278
Other	<u>381,041</u>	<u>465,635</u>
Total expenses	<u>1,580,362</u>	<u>2,049,319</u>
Net income before income taxes	<u>8,900</u>	<u>29,464</u>
Provision for income taxes:		
Federal:		
Current	1,709	4,767
Deferred	<u>(198)</u>	<u>(445)</u>
	1,511	4,322
California	<u>1,318</u>	<u>2,968</u>
Total provision for income taxes	<u>2,829</u>	<u>7,290</u>
Net income	6,071	22,174
Retained earnings, beginning of year	<u>564,053</u>	<u>541,879</u>
Retained earnings, end of year	<u>\$ 570,124</u>	<u>\$ 564,053</u>
Earnings per share (10,666 shares outstanding)	<u>\$ 0.57</u>	<u>\$ 2.08</u>

See accompanying notes.

PFLUEGER & BAERWALD INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2002 AND 2001

	<u>2,002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 6,071	\$ 22,174
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7,255	6,278
(Increase) decrease in accounts receivable	1,498,650	(117,606)
(Increase) decrease in investments and prepaid expenses	(231,324)	(736,906)
Increase (decrease) in current liabilities	912,023	(639,992)
Net cash provided (used) by operating activities	<u>2,192,675</u>	<u>(1,466,052)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(3,184)	(1,692)
Assessment for NSCC Participation Fund	(22,500)	
Assessment for Pacific Stock Exchange Seat		
Net cash used in investing activities	<u>(25,684)</u>	<u>(1,692)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans from bank	825,000	850,000
Repayment of loans	(850,000)	
Net cash provided (used) by financing activities	<u>(25,000)</u>	<u>850,000</u>
Net increase (decrease) in cash	2,141,991	(617,744)
Cash, beginning of year	384,590	1,002,334
Cash, end of year	<u>\$ 2,526,581</u>	<u>\$ 384,590</u>
Supplemental Information:		
Cash paid during the year for:		
Interest	<u>\$ 34,293</u>	<u>\$ 27,992</u>
Income Taxes	<u>\$ 1,709</u>	<u>\$ 4,767</u>

See accompanying notes.

PFLUEGER & BAERWALD INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2002

Note 1 -- Business activity

Pflueger and Baerwald (The Firm) is a California corporation offering securities brokerage services to investors out of its office in downtown San Francisco. The firm has been serving its investors since 1911 and is licensed in California as well as in several other states.

Note 2 -- Summary of significant accounting policies

- a. Revenues and expenses are reported on the basis of the accrual method of accounting.
- b. Assets and liabilities, including investments are accounted for at acquisition cost.
- c. Securities transactions and related revenues and expenses are recorded on a settlement date basis, generally the third business day following the transaction date.

Note 3 -- 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 reporting period. Actual results could differ from those estimates.

Note 4 -- Property and equipment -- depreciation policy

The Firm provides for depreciation on assets by the straight-line and double-declining methods at rates calculated to amortize the cost of the assets over their estimated useful lives ranging from five to ten years.

Note 5--Income taxes

Income taxes are provided for all items included in the income statement regardless of the period when such items are reportable for income tax purposes. Deferred Federal income taxes are provided on the current year's California Franchise Tax which is not deductible for Federal purposes until the following year.

Note 6 -- Retirement plans

The Firm has established a profit-sharing plan and a money-purchase pension plan for full-time employees. Those employees who are wholly compensated by commissions do not become eligible for benefits until commissions earned during the year exceed \$125,000.

The profit-sharing plan was established in 1975. The Firm made no contribution to this plan for the current fiscal year.

The pension plan was established in 1981. The Firm contributes 10% of each eligible employee's compensation to this plan each year. The Firm's contribution for the current year was \$63,063.

Note 7 -- Concentration of credit risk

At March 31, 2002, the Firm had \$2,525,956 in two accounts at a bank which is insured up to a maximum of \$100,000 by a government agency. It also had \$25 in a money market mutual fund which is not guaranteed by any governmental agency.

Note 8 -- Related party transactions

Secured demand notes receivable, notes payable to officers and subordinated borrowings reported on the balance sheet are due to and from stockholders and other related parties.

Note 9--Secured demand notes receivable

The demand notes of \$300,000 are non-interest bearing and are secured by securities with a market value at year-end of \$445,956. These notes are used by The Firm as collateral for its short-term borrowings. \$200,000 is due from shareholders and \$100,000 from an outsider.

Note 10--Subordinated borrowings

Long-term notes payable of \$300,000 are subordinated to claims of general creditors. \$100,000 is due on these notes during each of the next three fiscal years. Interest is payable at rates from 2% to 4% per year. \$200,000 is due to shareholders and \$100,000 to an outsider.

Note 11--Lease commitments

The Firm leases its office space under an operating lease which expires on July 31, 2001. The annual rental for the current fiscal year was \$99,434. The new lease provides for monthly rent at \$7,050, or \$84,600 on an annual basis with no increases to offset the increases in the lessor's direct operating expenses and property taxes.

Note 12--Net capital requirements

As a member of the National Association of Security Dealers, Inc., The Firm is subject to certain minimum capital requirements. NASD Rule 15c3-1 requires that member firms aggregated indebtedness, as defined by regulation, not exceed 15 times net capital, as defined. Minimum capital must be a minimum of \$250,000.

At March 31, 2002, The Firm's net capital ratio was 3.61 to 1. It's net capital, including subordinated debt, was \$1,112,493. Required net capital was \$268,539.

Note 13--Filings with the Securities and Exchange Commission

The Firm is required to file Form X-17A-5 annually with the Securities and Exchange Commission. Part III of this filing is available for public inspection at The Firm's office or at the Regional Office of the Securities and Exchange Commission.

Note 14—Investment securities

The following is a summary of investment securities at March 31, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
15c3-3 Reserve account:		
U.S. Government obligations, at cost	\$5,164,934	\$4,973,257
Gross unrealized interest	<u>18,410</u>	<u>84,766</u>
Marketable U.S. Treasury securities, at fair value	<u>5,183,344</u>	<u>5,058,033</u>
Investment securities:		
Marketable equity securities, at cost	18,847	17,881
Gross unrealized gains	<u>118,666</u>	<u>109,781</u>
Marketable equity securities, at fair value	<u>137,513</u>	<u>127,662</u>
Trading securities:		
Marketable equity securities, at cost	737	690
Gross unrealized losses	<u>-737</u>	<u>-690</u>
Marketable equity securities, at fair value	<u>0</u>	<u>0</u>
Total investments-		
At cost	5,184,518	4,991,828
Gross unrealized gains and losses	<u>136,339</u>	<u>193,867</u>
Investments at fair market value	<u>\$5,320,857</u>	<u>\$5,185,695</u>
Changes in the unrealized gains(losses) on investments during the years ending March 31, 2002 and 2001 as reflected in stockholders' equity:		
Stockholders' equity, reflecting cost basis	\$831,383	\$825,312
Adjustment for unrealized gains(losses)	<u>83,383</u>	<u>112,487</u>
Stockholders' equity, reflecting fair market value	<u>\$914,766</u>	<u>\$937,799</u>