

*Annual Report 1972*

cga



**COMPUTER ASSOCIATES**  
INCORPORATED

718 PARK AVENUE, EAST ORANGE, NEW JERSEY 07017 - 201-678-6100

Dear Shareholders:

Enclosed are the Company's financial statements for the fiscal year ended April 30, 1972. Last year was a building year in which we endeavored to lay a foundation for substantial future growth. This is partially reflected in our overall sales increase of 31% to a record \$956,358. However, in the process, profits dropped to \$2,564., as our diversification efforts did not have an immediate effect upon our earnings. The data processing continued to be profitable. The only losses sustained were in our educational and training products company, Danzig-Nevis International. During the year we completely expensed development on a major product and completely expensed some marketing costs on this item. We encountered slower than expected and, hence the loss.

The current fiscal year continues to show increase in growth in data processing and consulting activities, reflected in higher overall sales and profits despite continuing problems in increasing the sales of our educational products company.

We are looking forward to 1973 as we expect to achieve record sales and record operating profits.

I want to thank our employees, shareholders, and clients for their continued interest and support.

Sincerely,  
Bernard M. Goldsmith, III  
President  
*B. Goldsmith*  
E. C. Nevis, Ph.D.  
Chairman of the Board

IRVING HANDEL & CO.  
CERTIFIED PUBLIC ACCOUNTANTS  
1350 AVENUE OF THE AMERICAS  
NEW YORK, N. Y. 10019  
(212) 489-1040

Board of Directors  
CGA Computer Associates, Inc.

We have examined the consolidated statement of financial position of CGA Computer Associates, Inc. and subsidiaries as of April 30, 1972, and the related consolidated statements of income and of changes in financial position for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statements present fairly the financial position of CGA Computer Associates, Inc. and subsidiaries as of April 30, 1972, and the result of their operations and the changes in financial position for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Edwin Weiss*  
IRVING HANDEL & CO.

New York, N. Y.  
July 5, 1972

CGA COMPUTER ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT APRIL 30

	<u>ASSETS</u>	<u>1972</u>	<u>1971</u>
<u>CURRENT ASSETS:</u>			
Cash in Banks		\$ 52,899	\$ 2,329
Certificates of Deposit			125,000
Cash in Interest-Bearing Account			100,000
		\$ 52,899	\$ 227,329
Merchandise Inventory (Note 2)		28,599	
Accounts Receivable		229,598	176,824
Other Receivables		16,043	
Prepaid Expenses		4,957	3,628
		\$ 332,096	\$ 407,781
<u>TOTAL CURRENT ASSETS</u>			
Note Receivable from Dimode Industries, Inc. (Note 3)		\$ 102,316	\$ 74,833
Investment in 6 1/2% Convertible Capital Notes of the Waterbury National Bank, Due in 1995, at Cost which Approximates Market		\$ 25,000	\$ 25,000
Leasehold Improvements and Equipment at Cost Less Accumulated Amortization and Depreciation of \$26,889 in 1972 and \$12,434 in 1971 (note 5)		\$ 69,492	\$ 72,793
<u>OTHER ASSETS:</u>			
Deferred Debt Expenses (Being Amortized over Term of Debentures)		\$ 26,659	\$ 31,381
Deferred Copyright Costs		6,870	
Security Deposits		3,080	2,150
Excess of Cost of Acquisition over Equity Acquired (Note 9)		80,786	
		\$ 117,395	\$ 33,531
<u>TOTAL ASSETS</u>		\$ 646,299	\$ 613,938

The accompanying Notes to Financial Statements are an integral part of this statement.

CGA COMPUTER ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Concluded)

AS AT APRIL 30

LIABILITIES AND STOCKHOLDERS' INVESTMENT

	<u>1972</u>	<u>1971</u>
<u>CURRENT LIABILITIES:</u>		
Accounts Payable	\$ 7,189	\$ 2,510
Other Current Liabilities	<u>60,247</u>	<u>41,610</u>
	\$ 67,436	\$ 44,120
7% Convertible Subordinated Debentures Due in 1979 (Note 4)	<u>\$ 290,000</u>	<u>\$ 300,000</u>
Commitments and Contingent Liabilities (Note 5)		
<u>STOCKHOLDERS' INVESTMENT:</u> (Notes 4 and 6)		
Common Stock, Par Value \$.10 Per Share; Authorized 3,000,000 Shares; Outstanding 1972 - 269,200 Shares; 1971 - 222,000 Shares	<u>\$ 26,920</u>	<u>\$ 22,200</u>
Amount Contributed in Excess of Par Value	<u>\$ 305,176</u>	<u>\$ 293,415</u>
<u>ACCUMULATED DEFICIT:</u> (Note 7)		
Beginning Balance	\$ (45,797)	\$ (79,784)
Net Income	<u>2,564</u>	<u>33,987</u>
Ending Balance	<u>\$ (43,233)</u>	<u>\$ (45,797)</u>
<u>TOTAL STOCKHOLDERS' INVESTMENT</u>	<u>\$ 288,863</u>	<u>\$ 269,818</u>
<u>TOTAL LIABILITIES AND STOCKHOLDERS' INVESTMENT</u>	<u>\$ 646,299</u>	<u>\$ 613,938</u>

The accompanying Notes to Financial Statements  
are an integral part of this statement.

CGA COMPUTER ASSOCIATES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE FISCAL YEARS ENDED APRIL 30

	<u>1972</u>	<u>1971</u>
<u>NET REVENUES</u>	\$ 956,358	\$ 728,339
<u>COST OF REVENUES</u>	<u>641,501</u>	<u>488,440</u>
<u>GROSS PROFIT</u>	\$ 314,857	\$ 239,899
Selling, General and Administrative Expenses	<u>310,278</u>	<u>218,060</u>
<u>INCOME FROM OPERATIONS</u>	\$ 4,579	\$ 21,839
<u>OTHER INCOME (EXPENSE):</u>		
Interest Income	\$ 14,497	\$ 30,089
Interest Expense	(19,994)	(21,309)
Other - Net	<u>4,998</u>	<u>3,368</u>
	\$ (499)	\$ 12,148
<u>INCOME BEFORE FEDERAL, STATE AND LOCAL INCOME TAXES AND EXTRAORDINARY ITEM</u>	\$ 4,080	\$ 33,987
Federal, State and Local Income Taxes	<u>2,416</u>	<u>10,000</u>
<u>INCOME BEFORE EXTRAORDINARY ITEM</u>	\$ 1,664	\$ 23,987
Extraordinary Item - Federal Income Tax Benefit from Carry Forward of Net Operating Loss (Note 7)	<u>900</u>	<u>10,000</u>
<u>NET INCOME</u>	<u>\$ 2,564</u>	<u>\$ 33,987</u>
<u>INCOME PER COMMON SHARE: (Note 8)</u>		
Income before Extraordinary Item	\$ .01	\$ .11
Extraordinary Item	<u>          </u>	<u>.04</u>
<u>NET INCOME</u>	<u>\$ .01</u>	<u>\$ .15</u>
Income before Extraordinary Item, Assuming Full Dilution		<u>\$ .10</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CGA COMPUTER ASSOCIATES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE FISCAL YEARS ENDED APRIL 30

	<u>1972</u>	<u>1971</u>
<u>SOURCES OF FUNDS:</u>		
Income before Extraordinary Item	\$ 1,664	\$ 23,987
Depreciation of Equipment and Amortization of Leasehold Improvements	12,849	9,629
Amortization of Deferred Charges	3,804	3,804
Amortization of Acquisition Cost of Subsidiaries	1,840	
Extraordinary Item-Federal Income Tax Benefit from Carryforward of Net Operating Loss	900	10,000
Inclusion of Net Assets of Subsidiaries Acquired	11,944	
Issuance of Capital Stock	7,400	
Capital Stock Issued to Retire Convertible Bonds - Net of Deferred Financing Charges	9,081	
<u>TOTAL SOURCES OF FUNDS</u>	<u>\$ 49,482</u>	<u>\$ 47,420</u>
<u>APPLICATION OF FUNDS:</u>		
Investment in 6 1/2% Convertible Capital Notes	\$	\$ 25,000
Leasehold Improvements	785	65,794
Other Equipment Additions	8,763	(1,202)
Deferred Copyright Costs	6,870	
Loan Receivable-Dimode Industries, Inc.	27,483	74,833
Increase in Other Assets	11	80
Initial Cost of Acquisition of Subsidiaries (Note 5)	85,571	
Provision for Contingent Acquisition Payments (Notes 5 and 9)	9,000	
Retirement of Convertible Bonds through Exchange for Capital Stock	10,000	
<u>TOTAL APPLICATION OF FUNDS</u>	<u>\$ 148,483</u>	<u>\$ 164,505</u>
<u>INCREASE (DECREASE) IN WORKING CAPITAL</u>	<u>\$ (99,001)</u>	<u>\$ (117,085)</u>
<u>INCREASE (DECREASE) IN WORKING CAPITAL BY COMPONENTS:</u>		
Cash	\$ (174,430)	\$ (193,827)
Accounts Receivable	52,774	49,536
Prepaid Expenses	1,329	1,364
Other Receivables	16,043	
Merchandise Inventory	28,599	
Accounts Payable	(4,679)	28,974
Accrued Liabilities	(9,637)	(3,132)
Other Current Liabilities	(9,000)	
<u>INCREASE (DECREASE) IN WORKING CAPITAL</u>	<u>\$ (99,001)</u>	<u>\$ (117,085)</u>

The accompanying Notes to Financial Statements  
are an integral part of this statement.



