

CGA Annual Report, 1975

(source cover not available)

DIRECTORS

Bernard M. Goldsmith, III
Lawrence S. Robinson
Joel M. Handel

CORPORATE OFFICERS

Bernard M. Goldsmith, III, President, Treasurer
Lawrence S. Robinson, Vice President, Secretary
Joel M. Handel, Assistant Secretary

TRANSFER AGENT

Fidelity Union Trust Company
765 Broad Street
Newark, New Jersey 07101

AUDITORS

Sax, Macy, Fromm and Company
1200 U.S. Highway 46
Clifton, New Jersey 07013

COUNSEL

Upham, Meeker & Weithorn
Chrysler Building
New York, New York 10017

SHARES TRADED

Over the Counter

A copy of the annual report to the Securities and Exchange Commission,
Form 10K, is available on request from the company.

PRESIDENT'S LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS:

We are pleased to report that the year ending April 30, 1975, was a record year. Sales increased 33% to \$1,921,791 as compared to sales of \$1,445,013 for our fiscal year ended April 1974. Of particular satisfaction was the increase in net after tax profits from \$26,574 to \$160,485 or .53 per share.

This year saw emphasis on building a strong marketing organization and on developing a technical management structure to insure the quality of our consulting engagements. Our management team was strengthened through the addition of Elliot J. Rosenzweig who is responsible for all of our consulting assignments. A new position was created to perform quality assurance on all our work. This post was filled by Mr. Paul Aron, who, prior to his promotion had been a project manager with CGA.

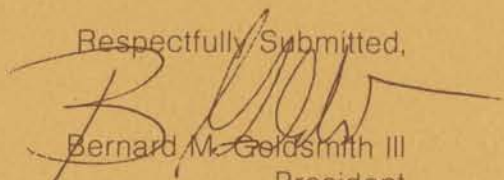
In an effort to continue our sales growth we strive to increase the quality and size of our marketing organization.

During this fiscal year ended 4/30/75, CGA introduced a line of software packages designed to give management audit points in the implementation of a data processing project. The cost of these products has been fully expensed and we expect these software packages to assist us in diversifying our revenue base.

Your management team will continue to develop the present consulting business while looking for opportunities to diversify within the data processing field. We look forward to continued growth, given a stable economic picture, of both sales and profits in the coming year.

I want to thank all of our employees, our shareholders and our clients for their continued support. It is this support that contributes to CGA's growth and success.

Respectfully Submitted,



Bernard M. Goldsmith III
President

CGA COMPUTER ASSOCIATES INC. (DEL.)

STATEMENT OF INCOME

For the Years Ended April 30, 1975 and 1974

	Year Ended April 30, 1975		Year Ended April 30, 1974	
NET REVENUES	\$1,921,791		\$1,445,013	
COST OF REVENUES	<u>1,110,512</u>		<u>940,559</u>	
GROSS PROFIT		\$811,279		\$504,454
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 4)	520,460		390,769	
EXPENSES OF DISTRIBUTION TO STOCKHOLDERS (Note 2)	<u>—</u>	<u>520,460</u>	<u>25,721</u>	<u>416,490</u>
OPERATING INCOME		290,819		87,964
OTHER INCOME OR (EXPENSE):				
Interest Income	20,722		938	
Interest Expense	(7,256)		(7,468)	
Other - Net	<u>—</u>	<u>13,466</u>	<u>(602)</u>	<u>(7,132)</u>
INCOME FROM CONTINUING OPERATIONS BEFORE TAXES		304,285		80,832
INCOME TAXES (Notes 1E and 5)		<u>143,800</u>		<u>32,700</u>
INCOME FROM CONTINUING OPERATIONS		160,485		48,132
OPERATING LOSS ON DISCONTINUED SUBSIDIARY (Net of Income Tax Effect of \$16,100) (Note 2)		<u>—</u>		<u>21,558</u>
NET INCOME		<u>\$160,485</u>		<u>\$ 26,574</u>
EARNINGS PER COMMON SHARE (Note 10):				
Primary Earnings:				
Income from Continuing Operations		\$.53		\$.16
Loss on Discontinued Subsidiary		—		(.07)
Net Income		.53		.09
Fully Diluted Earnings:				
Income from Continuing Operations		.43		.14
Loss on Discontinued Operations		—		(.06)
Net Income		.43		.08

The accompanying notes to financial statements are an integral part of this statement.

CGA COMPUTER ASSOCIATES INC. (DEL.)
STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Years Ended April 30, 1975 and 1974

	Year Ended April 30, 1975	Year Ended April 30, 1974
WORKING CAPITAL WAS PROVIDED BY:		
Operations -		
Net Income for the Year	\$160,485	\$26,574
Add Items Charged to Operations, Not Requiring Use of Working Capital:		
Depreciation and Amortization	4,635	11,696
Write-off of Deferred Start-up Costs of Subsidiary	<u>—</u>	<u>21,255</u>
Total from Operations	165,120	59,525
Disposal of Equipment and Improvements	—	43,595
Issuance of 7% Convertible Debentures	<u>103,000</u>	<u>—</u>
Total	\$268,120	\$103,120
WORKING CAPITAL WAS USED FOR:		
Purchase of Equipment	4,416	980
Increase in Security Deposits	660	2,256
Exchange of Note Payable for Convertible Debentures	<u>103,000</u>	<u>—</u>
Total	<u>108,076</u>	<u>3,236</u>
NET INCREASE IN WORKING CAPITAL	<u>\$160,044</u>	<u>\$ 99,884</u>

DETAIL OF CHANGES IN ELEMENTS OF WORKING CAPITAL

CURRENT ASSETS:	INCREASE OR (DECREASE)	
Cash	\$132,757	\$97,193
Marketable Securities	100,000	—
Receivables	(22,697)	48,097
Prepaid Expenses	308	(3,227)
Total	<u>\$210,368</u>	<u>\$142,063</u>
CURRENT LIABILITIES:		
Accounts Payables	(46,621)	70,626
Income Taxes Payable	16,482	6,405
Accrued Liabilities	<u>80,463</u>	<u>(34,852)</u>
Total	<u>50,324</u>	<u>42,179</u>
NET INCREASE IN WORKING CAPITAL	<u>\$160,044</u>	<u>\$99,884</u>

The accompanying notes to financial statements are an integral part of this statement.

ASSETS

	April 30, 1975	April 30, 1974
CURRENT ASSETS:		
Cash	\$269,295	\$136,538
Marketable Securities (Notes 1B and 3)	100,000	—
Receivables:		
Trade Accounts (Note 1C)	\$230,682	\$254,020
Other	<u>2,483</u>	<u>1,842</u>
Prepaid Expenses	<u>2,247</u>	<u>1,939</u>
Total Current Assets	604,707	394,339
EQUIPMENT AND IMPROVEMENTS (Notes 1D and 4):		
Furniture and Equipment	20,588	19,868
Leasehold Improvements	<u>—</u>	<u>2,507</u>
Total Equipment and Improvements	20,588	22,375
Less: Accumulated Depreciation and Amortization	<u>13,816</u>	<u>16,682</u>
Net Book Value - Equipment and Improvements	6,772	5,693
OTHER ASSETS:		
Deferred Debt Expense (Notes 1F, 4 and 6)	5,071	6,369
Security Deposits	<u>4,305</u>	<u>3,645</u>
Total Other Assets	<u>9,376</u>	<u>10,014</u>
Total Assets	<u>\$620,855</u>	<u>\$410,046</u>

The accompanying notes to financial statements are an integral part of this statement.

SSOCIATES INC. (DEL.)

ICE SHEET

975 and 1974

LIABILITES AND STOCKHOLDERS' EQUITY

	April 30, 1975	April 30, 1974
CURRENT LIABILITIES:		
Accounts Payable	\$ 39,423	\$ 86,044
Income Taxes Payable (Notes 1E and 5)	22,887	6,405
Accrued Liabilities	<u>101,459</u>	<u>20,996</u>
Total Current Liabilities	\$163,769	\$113,445
LONG-TERM DEBT (Note 6) :		
7% Promissory Note Payable	\$ —	\$103,000
7% Convertible Subordinated Debentures	<u>103,000</u>	<u>—</u>
Total Long-Term Debt	103,000	103,000
COMMITMENTS AND CONTINGENCIES (Note 8)		
	—	—
STOCKHOLDERS' EQUITY [Notes 2, 6 and 9]:		
Common Stock, Par Value \$.10 Per Share Authorized 1,000,000 Shares; Issued and Outstanding 300,200 Shares	30,020	30,020
Amount Contributed in Excess of Par Value	137,007	137,007
Retained Earnings	<u>187,059</u>	<u>26,574</u>
Total Stockholders' Equity	<u>354,086</u>	<u>193,601</u>
Total Liabilities and Stockholders' Equity	<u>\$620,855</u>	<u>\$410,046</u>

CGA COMPUTER ASSOCIATES INC. (DEL.)

STATEMENT OF RETAINED EARNINGS

For the Years Ended April 30, 1975 and 1974

	Year Ended April 30, 1975	Year Ended April 30, 1974
RETAINED EARNINGS AT BEGINNING OF YEAR	\$ 26,574	\$ —
NET INCOME	<u>160,485</u>	<u>26,574</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$187,059</u>	<u>\$26,574</u>

Note 5 - INCOME TAXES:

Income taxes for the years ended April 30, 1975 and 1974 are all currently payable and are summarized as follows:

	Year Ended April 30	
	1975	1974
Federal Income Tax	\$127,000	\$28,200
State Taxes	16,800	4,500
Total	<u>\$143,800</u>	<u>\$32,700</u>

Note 6 - LONG—TERM DEBT:

Effective May 1, 1973, upon reorganization as described in Note 2 above, the Company assumed an obligation to pay 7% convertible subordinated debentures, due August 14, 1979, in the amount of \$103,000. To cover the obligation for the debentures, the Company issued to the seller a 7% promissory note payable for \$103,000, due on the same date as the debentures.

In June, 1974, the Company registered \$103,000 of 7% convertible subordinated debentures and issued these debentures in place of the promissory note and the assumed obligation. The debentures are due August 14, 1979 and are convertible at \$1.25 per share of common stock. The Company is not required to maintain a sinking fund with respect to the retirement of the debentures.

Note 7 - PROFIT SHARING PLAN:

On February 28, 1975, the Company established a profit sharing plan, effective May 1, 1974, covering substantially all of its employees.

Total profit sharing expense for the fiscal year ended April 30, 1975 amounted to \$55,000. The amount of the contributions for any year is discretionary with the Company.

Note 8 - COMMITMENTS AND CONTINGENCIES:

The Company rents its present office facilities under a lease agreement expiring on May 31, 1979. The lease agreement specifies minimum rentals subject to increases in taxes and maintenance costs.

Total rental expense included in the statement of income for the year ended April 30, 1975 was \$19,830. Rental expense on the previous office facilities for the year ended April 30, 1974 was \$39,694.

The minimum rental commitment under the lease described above is as follows:

1976	\$21,390
1977	21,390
1978	21,390
1979	21,390
1980	1,782

Note 9 - STOCK OPTIONS:

An option to purchase 20,000 shares of the Company's common stock, granted to a director of the predecessor corporation, was assigned by the holder to an entity not related to the Company. The option agreement specifies that the options may be exercised at \$.75 per share, subject to adjustment for future dividends and additional shares issued. The option expires June 25, 1983. No options were exercised during the years ended April 30, 1975 and 1974.

Note 10 - EARNINGS PER SHARE:

Primary earnings per share were computed on the basis of 300,200 shares outstanding during both years. Fully diluted earnings per share were computed on the assumption that the 7% convertible debentures were converted as of the beginning of each year, thereby resulting in the issuance of 82,400 additional shares with a corresponding reduction in bond interest expense, net of taxes thereon.

Shares issuable in the future upon the exercise of the stock option were excluded from the computation of earnings per share, since their effect is anti-dilutive.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have examined the balance sheet of CGA Computer Associates Inc. (Del.) as of April 30, 1975 and the related statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of CGA Computer Associates Inc. (Del.) for the year ended April 30, 1974 were examined by other public accountants and are presented for comparative purposes only.

In our opinion, the aforementioned financial statements present fairly the financial position of CGA Computer Associates Inc. (Del.) at April 30, 1975, and the results of its operations and changes in its financial position for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

SAX, MACY, FROMM and CO.
Certified Public Accountants

Clifton, New Jersey
June 12, 1975

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATIONS

REVENUES:

Revenues continued to increase as they have over the last 5 years. The increases are in line with the growth experienced over the last 5 years. The increases over the years can be directly attributed to our ability to offer our services to more clients. Sales of software products and recruiting services in 1975 accounted for 2% of the gross revenue, while in the past years this non-consulting revenue was insignificant.

GROSS PROFIT:

The gross profit margin increased to 42% in 1975 from 35% in 1974. This increase was due to our ability to keep our staff members actively engaged throughout the year. The increase in non consulting revenues also positively affected the gross profit margin.

NET INCOME:

Consistent with sales net operating income continued to grow. The increase to \$290,819 in 1975 as compared to \$87,964 in 1974 is not an accurate picture as net operating income in 1974 was reduced to \$87,964 by 2 non-recurring items of \$25,721 for the cost of the stock distribution and of \$37,837 due to the abandonment of leaseholds.

FIVE YEAR SUMMARY OF OPERATIONS

The following five year summary of operations is presented as if the business of the predecessor entity (prior to May 1, 1973) had been operated by CGA Computer Associated Inc.(Del.) for all the indicated periods. Certain pro forma adjustments had been made to historical net income for the periods prior to May 1, 1973, eliminating interest income or expense on assets or liabilities not assumed by the Company.

	For the Years Ended April 30				
	1975	1974	1973	1972	1971
	(Not Covered By Accountants' Report)				
<u>NET REVENUES</u>	\$1,921,791	\$1,445,013	\$1,072,407	\$887,966	\$728,339
<u>COST OF REVENUES:</u>	1,110,512	940,559	658,910	618,007	488,440
<u>GROSS PROFIT</u>	811,279	504,454	413,497	269,959	239,899
<u>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</u>	520,460	390,769	333,197	257,748	218,060
<u>EXPENSES OF DISTRIBUTION TO STOCKHOLDERS</u>	—	25,721	—	—	—
<u>OPERATING INCOME</u>	290,819	87,964	80,300	12,211	21,839
<u>OTHER INCOME OR (EXPENSE):</u>					
Interest Income	20,722	938	14,178	15,707	30,089
Interest Expense	(7,256)	(7,468)	(21,137)	(19,993)	(21,309)
Other - Net	—	(602)	2,472	4,998	3,368
	<u>13,466</u>	<u>(7,132)</u>	<u>(4,487)</u>	<u>712</u>	<u>12,148</u>
<u>INCOME FROM CONTINUING OPERATIONS BEFORE TAXES, DISCONTINUED OPERATIONS AND EXTRAORDINARY ITEMS</u>	304,285	80,832	75,813	12,923	33,987
<u>INCOME TAXES</u>	143,800	32,700	30,000	3,000	10,000
<u>INCOME FROM CONTINUING OPERATIONS</u>	160,485	48,132	45,813	9,923	23,987
<u>OPERATING LOSS ON DISCONTINUED SUBSIDIARY (Net of Income Tax Effect of \$16,100)</u>	—	(21,558)	—	—	—
<u>INCOME BEFORE EXTRAORDINARY ITEM</u>	160,485	26,574	45,813	9,923	23,987
<u>EXTRAORDINARY ITEM — Income Tax Benefit from Carry-Forward of Net Operating Loss</u>	—	—	18,500	3,000	10,000
<u>HISTORICAL NET INCOME</u>	160,485	26,574	64,313	12,923	33,987
<u>NET PRO FORMA ADDITIONS OR (DEDUCTIONS)</u>	—	—	9,530	(8,300)	(10,000)
<u>PRO FORMA NET INCOME</u>	<u>\$160,485</u>	<u>\$26,574</u>	<u>\$73,843</u>	<u>\$4,623</u>	<u>\$23,987</u>
<u>HISTORICAL PER SHARE EARNINGS BASED ON 300,200 SHARES:</u>					
Income from Continuing Operations	\$.53	\$.16	\$.15	\$.03	\$.08
Operating Loss on Discontinued Subsidiary	—	(.07)	—	—	—
Extraordinary Item	—	—	.06	.01	.03
Historical Net Income	<u>\$.53</u>	<u>\$.09</u>	<u>\$.21</u>	<u>\$.04</u>	<u>\$.11</u>
<u>PRO FORMA PER SHARE EARNINGS BASED ON 300,200 SHARES</u>	\$.53	\$.09	\$.25	\$.02	\$.08
<u>PRO FORMA PER SHARE EARNINGS ASSUMING FULL DILUTION, BASED ON 382,600 SHARES*</u>	\$.43	\$.08	\$.22	*	*

* Fully diluted earnings per share assumes conversion of the 7% convertible debentures at the beginning of the year. Consequently, the number of shares assumed to have been converted, 82,400, were added to the weighted average number of common shares outstanding and historical net income was adjusted to eliminate interest on these debentures, net of applicable income taxes. For the years ending in 1972 and 1971, fully diluted earnings per share on pro forma earnings are not shown because the effect of assumed conversion is anti-dilutive.