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MICRO TEACHERS, INC.
**FINANCIAL STATEMENTS AND
AUDITORS' REPORTS**
**FOR THE YEAR ENDED
DECEMBER 31, 1958**

Under provisions of State law, this report is a public document. A copy of this report has been submitted to the auditor, the record, entity and other appropriate public officials. This report is available for public inspection at the State House of Representatives, the Legislative Auditor's office, where appropriate, at the office of the parish clerk of court.

Release Date JAN 07 1959

MICRO TEACHERS, INC.

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Zahn, Kenney & Brosette
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Micro Teachers, Inc.
New Orleans, LA

We have audited the accompanying balance sheet of Micro Teachers, Inc. as of December 31, 1990, and the related statements of operations, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of Micro Teacher Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Micro Teachers, Inc., and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

In compliance with Government Auditing Standards, we have also issued a report dated November 7, 1992 on our consideration of the Board's internal control structure and a report dated November 7, 1992 on its compliance with laws and regulations.

Zahn, Kenney & Brosette

Zahn, Kenney & Brosette
Certified Public Accountants

November 7, 1992

MICRO TEACHERS, INC.
BALANCE SHEET
DECEMBER 31, 1986

ASSETS

Current Assets	
Cash (Note 4)	\$ 39,108
Accounts receivable (Note 2, 4)	<u>189,776</u>
Total Current Assets	228,884
Property and Equipment, net of accumulated depreciation (Note 3, 4, 8)	158,641
Other Assets	
Franchise fee, net of amortization (Note 4)	22,180
Deposits	<u>8,333</u>
Total Assets	<u>409,838</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	
Accounts payable	\$ 54,484
Payroll taxes withheld and payable	2,753
Accrued salaries	19,371
Current portion of long term debt (Note 8)	18,788
Current portion of capital leases (Note 8)	<u>51,621</u>
Total Current Liabilities	147,027
Long Term Debt, less current portion	
Notes payable bank (Note 5)	351,334
Notes payable stockholder (Note 7)	60,000
Capital leases (Note 8)	<u>25,434</u>
Total Long Term Debt	436,768
Other Liabilities	
Deferred income (Note 3)	171,738
Total Liabilities	583,795
Stockholders' Equity	
Common stock, \$5 stated value, 10,000 shares authorized, 268 shares issued, 268 outstanding	1,340
Paid in capital (Note 8)	98,838
Accumulated deficit	(154,445)
Treasury stock, at cost (280 shares)	<u>(25,000)</u>
Total Stockholders' Equity	(80,867)
Total Liabilities and Stockholders' Equity	<u>502,928</u>

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

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MECRO TEACHERS, INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1984

Income

School contracts	\$ 339,820
State contracts	310,258
New Members	<u>1,328,513</u>
Total Income	1,978,591

Operating Expenses

Training	487,884
Commuters	171,254
Salaries and marketing	382,904
Facilities	45,700
General and administrative	654,951
Overhead	45,389
Royalties	78,200
Training center fees	<u>500</u>
Total operating expenses	1,820,266

Income from operations 158,325

Other expenses

Interest	38,458
Depreciation	35,319
Associations	5,800
Officer's life insurance	5,370
Entertainment	<u>1,371</u>
Total other expenses	86,318

Net loss **\$ (138,259)**

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

MICRO TEACHERS, INC.
STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1984

Accumulated deficit, beginning of the year	\$ (89,334)
Net loss for the year	(88,034)
Dividends	<u>122,132</u>
Accumulated deficit, end of the year	<u>\$ (155,236)</u>

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

MICRO TEACHERS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1966

Cash Flows From Operating Activities:	
Net income (loss)	\$ (88,000)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation	83,819
Amortization of intangible assets	3,080
 (Increase) decrease in:	
Accounts receivable	(37,381)
Other assets	3,447
Prepaid expenses	3,800
 Increase (decrease) in:	
Accounts payable	38,800
Accrued expenses	(7,380)
Deferred revenue	<u>1,800</u>
 Net cash provided (used) by operations	(19,735)
Cash Flows From Investing Activities:	
Purchase of property and equipment	<u>(70,800)</u>
 Net cash provided (used) by investing activities	(70,800)
Cash Flows From Financing Activities:	
Payments of note to stockholder	(450)
Proceeds of borrowing - bank loans	70,854
Net decrease in capital leases	(15,823)
Proceeds from issuance of stock	49,300
Distribution of dividends	<u>(23,033)</u>
 Net cash flows provided (used) by financing activities	70,161
 Net decrease in cash	(19,588)
Cash - Beginning of Year	<u>51,700</u>
 Cash - End of Year	<u>\$ 32,112</u>

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

MICRO TEACHERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984

NOTE 1--DEPRECIATION AND SIGNIFICANT ACCOUNTING POLICIES

4. **Organization** - Micro Teachers, Inc. (the Company) provides training in the use of various computer application programs.

5. **Significant Accounting Policies**

Basis of Accounting - These financial statements reflect the accrual basis of accounting.

Property and Equipment - All property and equipment is recorded at cost and depreciated over estimated useful lives of five to ten years, using accelerated methods of Depreciation.

Repairs and maintenance charges which do not increase the useful lives of the assets are charged to operations as incurred.

Recognition of Credit Risk - The Company provides training through seminars and seminars credit to its customers, substantially all of whom are residents of the Greater New Orleans Area.

Accounts Receivable - The company uses the direct write-off method to record bad debt expense. During 1984 \$3,644 was written off. It is believed by management that the difference between the direct write-off method and the allowance method would be immaterial.

Contractual Obligations - A material part of the company's business is dependent on a contract with the State of Louisiana, the loss of which could have a material effect on the Company. For 1984 approximately 1/3 of the Company's revenues were attributable to this state contract.

Franchise Fee - The Company amortizes a franchise fee straight-line over the ten year life of the franchise agreement.

Income Taxes - The Company has elected to be taxed as an "S" corporation, under the provisions of the Internal Revenue Code. Under such election, the Company's federal and state taxable income or loss and tax credits are passed through to the individual stockholders.

Deferred Income - Contracts are recorded as deferred revenue when signed and recognized as income in the period in which the related training is provided.

Cash and Cash Equivalents - For the purpose of the statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less when purchased to be "cash equivalents".

NOTE 2--ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 1994 consists of the following:

State of Louisiana - Project Independence	\$ 13,973
Private school contracts	82,130
New Orleans students	<u>80,171</u>
	<u>\$176,274</u>

NOTE 3--PROPERTY AND EQUIPMENT

Computer equipment	\$ 180,000
Computer equipment - classrooms	34,500
Furniture and fixtures	8,811
Office equipment	31,278
Computer equipment - New Orleans (1)	<u>158,144</u>
Furniture and fixtures (1)	<u>38,847</u>
Leasehold improvements	<u>12,365</u>
	<u>493,935</u>
Less accumulated depreciation	<u>(238,383)</u>
	<u>\$ 255,552</u>

(1) Assets purchased under capital lease arrangements.

NOTE 4--FRANCHISE FEE

On July 1, 1994 Elico Studios, Inc. entered into a franchise agreement with New Orleans Franchising, Inc. to operate a New Orleans franchise in the Greater New Orleans Area for a term of ten years. The agreement required an "Initial Franchise Fee" of \$50,000 which is being amortized straight line over the term of the agreement.

Additionally, the franchisee is required to pay the franchisor the following fees:

- 1) a continuing royalty of the greater of 3% of gross revenues derived from the franchised business or \$1,000; and
- 2) 3% of gross revenues from sale of source materials; and
- 3) 1% of gross revenues for marketing and advertising; and
- 4) \$25 per month software maintenance fee.

Micro Teachers, Inc. began operating the New Orleans franchise in Metairie, Louisiana in March 1995. The various ongoing royalty fees mentioned in the preceding paragraph totalled \$78,180 for 1994.

NOTE 5--PENSION PLAN

The Company has a defined contribution plan for employees who meet the eligibility requirements set forth in the plan. The contributions are determined as a percent of compensation paid each year to eligible participants. No contributions were made for 1994.

NOTE 6--LONG TERM DEBT

Long term debt consists of the following at December 31, 1996:

Letter of credit payable to a bank, interest at Wall Street Journal prime plus 2%. Payments due monthly at the greater of \$150 or 1 1/2% of the balance. Collateral for the note is a commercial security agreement against all equipment.	\$100,385
Promissory note payable to a bank, interest at 9.5% due in monthly installments of \$1,054 including interest through November 17, 2000, secured by all accounts receivable.	91,491
Promissory note payable to a bank, interest at 8.5% due in monthly installments of \$580 including interest through December 3, 2001, secured by all funds the Company has on deposit with the lender.	27,985
less current portion	<u>438,280</u>
Total long term portion	<u>\$ 751,526</u>

NOTE 7--NOTE PAYABLE TO SHAREHOLDER

One of the shareholders loaned the Company \$40,000 during 1995 for working capital purposes. The terms of the loan initially require the payment of interest only at the rate of 9%, interest has been paid through December 31, 1996. No principal payments have been made.

NOTE 8--LEASES

Operating leases

The Company leases office space under noncancelable operating leases, the initial terms of which expire February 28, 1998. The following is a schedule by years of future minimum payments of rent under the leases as of December 31:

1997	73,134
1998	<u>12,824</u>
	<u>\$ 85,958</u>

Capital leases

The Company leases computer equipment, telephone equipment, office furniture and a copier. The economic substance of these leases is that the Company is financing the acquisition of the equipment and furniture through the leases, and accordingly, they are recorded as the Company's assets and liabilities.

The following is a schedule by years of future minimum payments required under the leases together with the present values as of December 31, 1996:

1997	45,218
1998	38,347
1999	<u>5,885</u>
Total minimum lease payments	89,450
Less amount representing interest	<u>(73,265)</u>
Present value of minimum lease payments	<u>\$ 16,185</u>

The following is an analysis of the amount of leased assets included in property and equipment:

Equipment and furniture	\$198,991
Less accumulated depreciation	<u>(82,784)</u>
	<u>\$116,207</u>

NOTE 9--STOCK TRANSACTIONS

In May 1994, the Company issued 33 shares of common stock at \$1,380 per share. In accordance with earlier instances, \$5 per share is recorded as common stock and \$1,375 as paid in capital. Further, the purchaser has an option to purchase up to 33 additional shares at \$1,300 per share. These additional shares were to be purchased on or before January 1, 1998, however, this agreement has been verbally extended indefinitely.

Zahn, Kermity & Breaette
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Micro Teachers, Inc.
New Orleans, Louisiana

We have audited the financial statements of Micro Teachers, Inc., as of and for the year ended December 31, 1998 and have issued our report thereon dated November 7, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of Micro Teachers, Inc. for the year ended December 31, 1998, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Micro Teachers, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of the internal control structure are to provide management with reasonable, but not absolute, assurance that assets 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. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Micro Teachers, Inc. for the year ended December 31, 1998 we obtained an understanding of the internal control structure. With respect to the internal

control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the Board of Directors. However, it is a matter of public record and its distribution is not limited.

Lohn, Kynsey & Bennett

Lohn, Kynsey & Bennett
Certified Public Accountants

November 7, 1987
Monroe, Louisiana

Zahn, Kinsley & Brucette
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Micro Teachers, Inc.
New Orleans, LA

We have audited the financial statements of Micro Teachers, Inc., as of and for the years ended December 31, 1996, and have issued our report thereon dated November 7, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Micro Teachers, Inc., is the responsibility of the Company's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Company's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on the overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported hereon, under government auditing standards.

This report is intended for the information of management. However, it is a matter of public record and its distribution is not limited.

Zahn, Kinsley & Brucette

Zahn, Kinsley & Brucette
Certified Public Accountants

November 7, 1997