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URBAN RESTORATION ENHANCEMENT  
CORPORATION  
BATON ROUGE, LOUISIANA  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court

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Release Date \_\_\_\_\_

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## INDEPENDENT AUDITOR'S REPORT

October 7, 1999

To the Board of Directors  
Urban Restoration Enhancement Corporation  
Baton Rouge, Louisiana

I have audited the accompanying statements of financial position of Urban Restoration Enhancement Corporation (a non-profit organization) as of June 30, 1999, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Urban Restoration Enhancement Corporation's management. My responsibility is to express an opinion of these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provided a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Urban Restoration Enhancement Corporation as of June 30, 1999, and the changes in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated October 7, 1999, on our consideration of Urban Restoration Enhancement Corporation's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants.

My audit was made for the purpose of forming an opinion on the financial statements of Urban Restoration Enhancement Corporation taken as a whole. The accompanying combining schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Donald C. DeVille*

**URBAN RESTORATION ENHANCEMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 1999**

(With Comparative Totals for 1998)

	<u>1999</u>	<u>JUNE 30,</u> <u>1998</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$68,702	\$142,676
Grants Receivables	12,892	9,497
Tenants Receivable	3,750	1,125
Notes Receivable	-0-	5,000
Prepaid Expenses	6,935	2,636
Property Plant & Equipment	1,687,080	1,545,703
Deposits	2,380	2,380
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>1,781,739</b>	<b>1,709,017</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>		
Notes Payable	\$1,200,480	\$1,217,620
Accounts Payable	15,036	12,511
Retainage Payable	82,658	82,658
Security Deposits	9,150	8,100
Accrued Vacations Payable	7,218	-0-
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>1,314,542</b>	<b>1,320,889</b>
	<hr/>	<hr/>
<b>NET ASSETS</b>		
Unrestricted	467,197	388,128
	<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>	<b>467,197</b>	<b>388,128</b>
	<hr/>	<hr/>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>1,781,739</b>	<b>1,709,017</b>
	<hr/> <hr/>	<hr/> <hr/>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

**URBAN RESTORATION ENHANCEMENT CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 1999**

(With Comparative Totals for 1998)

	<u>YEAR ENDED JUNE 30,</u> <u>1999</u>	<u>1998</u>
<b>REVENUE AND OTHER SUPPORT:</b>		
Grants	\$638,079	\$805,867
Donations	9,718	4,160
Fund Raising	-0-	455
Rent Revenue	277,368	228,542
Miscellaneous Income	245	37
Interest Income	508	1,000
	<b>925,918</b>	<b>1,040,061</b>
<b>EXPENSES:</b>		
PROGRAM SERVICES		
Office Urban Affairs	494,394	524,599
GDFSC	11,416	10,157
Saturday Academy	28,145	36,959
Impact	502	2,004
FTH	8,549	3,780
NBR 70805	31,782	31,906
CHDO	-0-	1,020
Cedar Glen	272,061	234,745
Network Expo	-0-	500
	<b>846,849</b>	<b>845,670</b>
<b>CHANGES IN NET ASSETS</b>	<b>79,069</b>	<b>194,391</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>388,128</b>	<b>193,737</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>467,197</b>	<b>388,128</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

URBAN RESTORATION ENHANCEMENT CORPORATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 1999

PROGRAM SERVICE

	URBAN AFFAIRS	GDFSC	SATURDAY ACADEMY	IMPACT	FTH	NBR 70805	CEDAR GLEN	TOTAL
SALARIES AND CONTRACT LABOR	\$107,723	\$4,067	\$7,850	\$0	\$5,300	\$21,750	\$69,642	\$216,332
PAYROLL TAXES	9,480	524	0	0	292	590	5,068	15,954
EMPLOYEE HEALTH BENEFITS	3,649	0	0	0	0	120	2,433	6,202
PENSION	1,410	0	0	0	0	0	1,489	2,899
PROFESSIONAL FEES	3,350	0	0	0	0	0	0	3,350
ACCOUNTING	3,160	0	0	0	0	0	0	3,160
ADVERTISING AND PROMOTIONS	1,431	0	1,246	194	490	0	0	3,361
BAD DEBTS	0	0	0	0	0	0	5,000	5,000
DEPRECIATION	5,769	0	0	0	0	0	49,547	55,316
DUES AND SUBSCRIPTIONS	3,745	0	0	0	0	0	430	4,175
EQUIPMENT RENTAL	1,858	0	0	0	0	0	2,328	4,186
INSURANCE	18,910	0	0	0	0	1,528	4,990	25,428
INTEREST	0	0	0	0	0	0	58,708	58,708
LEGAL	2,005	0	0	0	175	0	1,038	3,218
LICENSE AND FEES	0	0	0	0	0	0	0	0
CONFERENCES AND MEETINGS	3,666	0	0	0	0	1,200	2,905	7,771
OFFICE EXPENSE	1,072	58	297	0	250	117	1,454	3,248
POSTAGE AND PRINTING	662	615	0	0	500	0	74	1,851
PRINTING	1,551	622	1,262	308	0	287	14	4,044
PROGRAM SERVICES	3,088	3,928	0	0	0	1,611	800	9,427
RENT	9,000	900	1,040	0	1,200	1,830	0	13,970
REPAIRS AND MAINTENANCE	1,665	0	0	0	0	0	19,433	21,098
SUPPLIES	3,691	250	285	0	40	508	7,369	12,143
SECURITY	948	0	0	0	302	0	16,990	18,240
TELEPHONE	7,522	0	0	0	0	0	905	8,427
TRAVEL	808	130	0	0	0	2,241	549	3,728
UTILITIES	1,668	322	0	0	0	0	20,655	22,645
MISCELLANEOUS	0	0	0	0	0	0	240	240
GRANTS PAYOUTS	296,563	0	16,165	0	0	0	0	312,728
<b>TOTAL EXPENSES</b>	<b>494,394</b>	<b>11,416</b>	<b>28,145</b>	<b>502</b>	<b>8,549</b>	<b>31,782</b>	<b>272,061</b>	<b>846,849</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

**URBAN RESTORATION ENHANCEMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 1999**

(With Comparative Totals for 1998)

	<u>YEAR ENDED JUNE 30,</u> <u>1999</u>	<u>1998</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Increase In Net Assets	\$79,069	\$194,391
Adjustments To Reconcile Increase In Net Assets To Net Cash Provided By Operating Activities:		
Depreciation	55,316	48,579
<b>(Increase) Decrease In Operating Assets:</b>		
Grants Receivables	(3,395)	(2,285)
Tenants Receivable	(2,625)	(1,125)
Notes Receivable	5,000	-0-
Prepaid Expenses	(4,299)	(136)
Deposits	-0-	(480)
<b>Increase (Decrease) In Operating Liabilities:</b>		
Accounts Payable	2,525	8,967
Retainage Payable	-0-	-0-
Accrued Expenses	7,218	(5,331)
Security Deposits	1,050	900
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>139,859</b>	<b>243,480</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchase of Equipment & Improvements	(196,694)	(112,606)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Proceeds from Loans	28,793	28,822
Repayment of Loans	(45,932)	(43,578)
	(17,139)	(14,756)
<b>NET INCREASES (DECREASE) IN CASH</b>	<b>(73,974)</b>	<b>116,118</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>142,676</b>	<b>26,558</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>68,702</b>	<b>142,676</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

**URBAN RESTORATION ENHANCEMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE #1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Urban Restoration Enhancement Corporation (Corporation) is a Louisiana non-profit corporation, incorporated in 1992 to assist individuals, groups and organizations with resources to empower themselves and make an impact in key focus areas.

**Recognition of Donor Restrictions**

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When restrictions expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**FINANCIAL STATEMENT PRESENTATION**

In 1995, the Organization elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by this statement, the Organization has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

**INCOME TAXES**

The Organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code.

**CASH AND CASH EQUIVALENTS**

For the purposes of the statement of cash flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**PREPAID**

Insurance and similar services which extend over more than one accounting period have been recorded as prepaid.

**ACCOUNTS RECEIVABLE**

Accounts receivable are written-off under the direct write-off method whereby bad debts are recorded when a receivable is deemed uncollectible. If they are subsequently collected they are recorded as miscellaneous income. The direct charge-off method is not a material departure from GAAP as it approximates the valuation method.



**URBAN RESTORATION ENHANCEMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE #1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**PROPERTY AND EQUIPMENT**

The purchase of property and equipment is recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Property and equipment is depreciated using the straight-line method over the estimated useful lives of 5 to 40 years for buildings and improvements and 5-10 years for equipment.

**Donated Services.** A substantial number of volunteers have donated many hours to U.R.E.C.'s program services and fund-raising campaigns during the year. However, these donated services valued at **\$37,797** are not reflected in the financial statements since the services do not require specialized skills. Donated professional services (which include accounting and legal services) are reflected in the statement of activities at their fair value, **\$4,450**.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt, **\$3,000**.

**NOTE #2. CASH AND CASH EQUIVALENTS**

The Urban Restoration Enhancement Corporation's cash is as follows as of June 30, 1999:

	<u>BOOK VALUE</u>	<u>BANK BALANCE</u>	<u>FDIC INSURED</u>	<u>AT RISK</u>
Checking	\$42,918	\$84,379	\$84,379	-0-
Savings	25,784	25,784	25,784	-0-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>68,702</u>	<u>110,163</u>	<u>110,163</u>	<u>-0-</u>

**URBAN RESTORATION ENHANCEMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE #3. RECEIVABLES**

A. Accounts Receivables consist mostly of old tenant receivables over 365 days as follows:

Tenant Receivables	\$22,396
Allowance For Uncollectible	(18,646)
	3,750
	3,750

B. Notes Receivables consist of a \$5,000 advanced to the building contractor for units to be made ready. Theses units were not made ready and the \$5,000 is due back. A 5,000 allowance has been set up.

**NOTE #4. FIXED ASSETS**

A summary of Fixed Asset at year-end follows:

Land	\$84,100
Office Furniture and Equipment	175,021
Buildings	1,689,052
	1,948,173
Less Accumulated Depreciation	261,093
	1,687,080
Book Value	

**NOTE #5. LEASE OBLIGATIONS**

On December 28, 1995, the Corporation entered into a lease for an copier with Toshiba for three years, for a basic lease of \$185 per month for thirty-six months.

The minimum future lease payments by year are as follows:

July 01, 1998, To June 30, 1999	\$1,110
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On July 1, 1997, the Organization entered into a lease for corporate office space beginning July 1, 1997, terminating June 30, 1998, for \$375 per month with an option to extend the lease for twelve months.

**URBAN RESTORATION ENHANCEMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE #6. NOTES PAYABLE**

\$528,751 construction loan payable to the City of Baton Rouge consist of a twenty year deferred mortgage. This loan was initially made as a collateral mortgage loan, which Borrower shall convert to a permanent (term) loan within ninety (90) days following completion of property rehabilitation construction. The note bears zero (0.0%) percent interest. This loan bears no prepayment penalty, nor are loan application fee, origination or discount points charged. Subject to the provision for prepayment of loan principal from net project proceeds, amortization payments of this loan principal shall be deferred for fifteen years from the date of the mortgage. Upon expiration of the 15-year deferral period, Borrower shall make monthly payments each equal to the amount of the mortgage divided by one hundred eighty, until fully paid. Maximum authorized \$535,000. \$528,751

\$747,000 construction loan payable to Hibernia National Bank at 9.3149% payable monthly - interest only until the completion of the project. On April 7, 1997, the Organization entered into an agreement to pay \$7,720 per month based on a twenty year amortization with balance due April 7, 1998. Maximum authorized \$740,000. 669,099

\$35,000 Line of Credit issued by Hibernia National Bank at 10.75% interest due July 13, 1999. 2,630

Total 1,200,480

The minimum future note payments by year are as follows:

July 01, 1998, To June 30, 1999	\$671,729
July 01, 1999, To June 30, 2000	-0-
July 01, 2000, To June 30, 2001	-0-
July 01, 2001, To June 30, 2002	-0-
July 01, 2002, To June 30, 2003	-0-
Thereafter	528,751

**NOTE #7. LITIGATION, CLAIMS AND CONTINGENCIES**

The Corporation has declared the Contractor on the Urban Meadows Project in default. The sub-contractors have filed claims/liens totaling \$508,394. The contractor's bond can not be verified at this time. The Corporations attorney is pursuing legal action against the contractor and the legal proceedings are in the initial stages and no projected outcome can be made at this time. Roughly 53 units are complete with another 15 or so units in various stages of completion. The Corporation has leased all available units and has been awarded a grant to complete the remaining 15 units. The Corporation's attorney expects a favorable outcome but a potential loss of less than \$50,000.

**URBAN RESTORATION ENHANCEMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE #8 - ECONOMIC DEPENDENCY**

The Corporation receives the majority of its revenue from funds provided through grants administered by the Louisiana Governor's Office of Urban Affairs and Economic Development. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of funds the Corporation receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Corporation will receive in the next fiscal year.

**NOTE #9. FEDERAL GRANT CONTINGENCIES**

The Corporation receives a large portion of its revenues from government grants and contracts, all of which are subject to audit by the governments. The ultimate determination of amounts received under these programs generally is based upon allowable cost reported to and are subject to audit by the government. Until such audits, if any, there exists a contingency to refund any amount received in excess of allowable cost. Management is of the opinion that no material liability will result from such audits.

**NOTE #10: YEAR 2000 ISSUE**

The Urban Restoration and Enhancement Corporation has evaluated the potential affects of the Year 2000 (Y2K) issue related to computer hardware and software and determined that both the hardware and software could be affected. The only mission critical software that the Organizations is the accounting software packages. The Organization has documentation that there accounting software is 2K compliant.

**SUPPLEMENTAL INFORMATION**

URBAN RESTORATION ENHANCEMENT CORPORATION  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 1999

<u>PROGRAM TITLE</u>	<u>FEDERAL CDFA NUMBER</u>	<u>FEDERAL REVENUE RECEIVED</u>	<u>FEDERAL REVENUE RECOGNIZED</u>	<u>EXPENSES</u>
 <u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed Through City of Baton Rouge Community Development				
Home Funds #B-93-MC 22002	14.239	\$643	\$643	\$643
1st Time Home Buyer	14.185	13,025	13,025	13,025
Section 8	14.190	49,482	49,482	49,482
		<u>63,150</u>	<u>63,150</u>	<u>63,150</u>
 <u>FEDERAL HOME LOAN BANK</u>				
Rehabitation Grant	*	118,386	118,386	118,386
 <u>DEPARTMENT OF EDUCATION</u>				
Passed Through State of LA				
After School Tutoring	84.010	9,203	9,203	9,203
Passed Through Governor Office Urban Affairs				
Drug Free Schools	84.186	10,000	10,000	10,000
		<u>19,203</u>	<u>19,203</u>	<u>19,203</u>
Total		<u>200,739</u>	<u>200,739</u>	<u>200,739</u>

\* Grantor Agency Unable to Provide CFDA Number

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## Donald C. DeVille

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### REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 7, 1999

To the Board of Directors  
Urban Restoration Enhancement Corporation  
Baton Rouge, Louisiana

I have audited the financial statements of the Urban Restoration Enhancement Corporation as of and for the year ended June 30, 1999, and have issued my report thereon dated October 7, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### COMPLIANCE

As part of obtaining reasonable assurance about whether organization financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

#### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered Organization's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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. I noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and distribution is not limited.



URBAN RESTORATION ENHANCEMENT CORPORATION  
SCHEDULE OF PRIOR YEARS FINDINGS  
YEAR ENDED JUNE 30, 1999

<u>REF NO.</u>	<u>FISCAL YEAR FINDING INITIALLY OCCURRED</u>	<u>DESCRIPTION OF FINDING</u>	<u>CORRECTIVE ACTION TAKEN (YES, NO, PARTIALLY)</u>	<u>CORRECTIVE ACTION/PARTIAL CORRECTIVE ACTION TAKEN</u>
1.	6-30-96	General Contractor Defaulted on Construction Project. UREC Could Not Validate The Construction Bond and Subs Have Filed \$500,000 in Liens. The Corporation Is Now in Litigtation.	Partially	Litigation Moving Ahead.
* * * *				
2.	6-30-96	Some Tutorial Programs Did Not Have Adequate Supporting Documentation.	Yes	Supporting Documentation Now Appears Adequate
* * * *				