

**DIESEL TRUCK
DRIVER TRAINING
SCHOOL, INC.**

FINANCIAL STATEMENT

DECEMBER 31, 2017

STELLAR FINANCIAL MANAGEMENT, LLC

MARK T. WHITISH, CPA

DIESEL TRUCK DRIVER TRAINING SCHOOL, INC.

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Stellar Financial Management, LLC

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Diesel Truck Driver Training School, Inc.
Sun Prairie, Wisconsin

I have reviewed the accompanying financial statements of Diesel Truck Driver Training School, Inc., which comprises the balance sheets as of December 31, 2017 and 2016, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountants Responsibility

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountants Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.



Stellar Financial Management, LLC
Cross Plains, Wisconsin
March 15, 2018

DIESEL TRUCK DRIVER TRAINING SCHOOL, INC.

BALANCE SHEETS

December 31, 2017 and 2016
See Accountant's Review Report

ASSETS	2017	2016
Current Assets		
Cash	\$ 226,069	\$ 303,012
Investments	270,864	221,112
Accounts receivable - current students	6,940	20,610
Accounts receivable - related parties	71,884	150,694
Current portion of contracts receivable	300,000	400,000
Due from related parties	554,527	641,697
Current portion of land contract receivable	5,810	5,648
Other current assets	4,973	5,393
Total Current Assets	<u>1,441,067</u>	<u>1,748,166</u>
Property and Equipment		
Land	60,432	60,432
Buildings and improvements	1,118,112	992,961
Furniture and fixtures	219,986	219,986
Tractors, trailers and equipment	665,062	554,039
Total Property and Equipment	2,063,592	1,827,418
Less: Accumulated Depreciation	<u>(1,463,893)</u>	<u>(1,422,652)</u>
Net Property and Equipment	<u>599,699</u>	<u>404,766</u>
Other Assets		
Due from related parties	-	-
Land contract receivable - net of current portion	80,706	86,516
Contracts receivable - net of current portion	364,115	485,711
Total Other Assets	<u>444,821</u>	<u>572,227</u>
Total Assets	<u>\$ 2,485,587</u>	<u>\$ 2,725,159</u>

See Notes to Financial Statements.

DIESEL TRUCK DRIVER TRAINING SCHOOL, INC.

BALANCE SHEETS

December 31, 2017 and 2016
See Accountant's Review Report

LIABILITIES AND EQUITY	2017	2016
Current Liabilities		
Current portion of long term debt	\$ 27,000	\$ 50,000
Note payable - line of credit	150,888	188,368
Accounts payable and accrued expenses	45,362	44,170
Unearned tuition	-	-
Income taxes payable	61,284	103,611
Total Current Liabilities	284,534	386,149
Long Term Liabilities		
Long term debt - net of current portion	88,898	110,509
Due to related parties	-	39,402
Deferred income taxes	404,900	484,500
Total Long Term Liabilities	493,798	634,411
Total Liabilities	778,332	1,020,560
Equity		
Common stock, 2,500 shares authorized and issued, no par value	2,500	2,500
Retained earnings	2,189,405	2,191,241
Accumulated other comprehensive income:		
Unrealized gains on investments	7,016	2,524
Treasury stock, 579 shares at cost	(491,666)	(491,666)
Total Equity	1,707,255	1,704,599
Total Liabilities and Equity	\$ 2,485,587	\$ 2,725,159

See Notes to Financial Statements.

DIESEL TRUCK DRIVER TRAINING SCHOOL, INC.

STATEMENTS OF INCOME

Years Ending December 31, 2017 and 2016

See Accountant's Review Report

	<u>2017</u>	<u>2016</u>
Operating Revenue		
Revenue	\$ 1,423,500	\$ 1,455,165
Other operating revenue	<u>160,392</u>	<u>158,966</u>
Total Operating Revenue	<u>1,583,892</u>	<u>1,614,131</u>
Operating Expenses		
Training expenses	1,325,663	1,240,657
Selling, general and administrative expenses	361,219	433,256
Provision for doubtful accounts	17,584	37,560
Depreciation expense	<u>51,217</u>	<u>31,692</u>
Total Operating Expenses	1,755,683	1,743,165
Income From Operations	<u>(171,791)</u>	<u>(129,034)</u>
Other Income (Expense)		
Gain on sale of assets	5,800	6,400
Net collection income	177,628	177,399
Interest and dividend income	7,695	10,213
Interest expense	(15,810)	(13,353)
Income taxes	<u>(5,358)</u>	<u>(12,117)</u>
Total Other Income (Expense)	<u>169,955</u>	<u>168,542</u>
Net Income	<u>(1,836)</u>	<u>39,508</u>

See Notes to Financial Statements.

DIESEL TRUCK DRIVER TRAINING SCHOOL, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ending December 31, 2017 and 2016

See Accountant's Review Report

	Common Stock	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance January 1, 2016	2,500	2,151,733	(402,209)	-	1,752,024
Comprehensive Income					
Net income		39,508			39,508
Other comprehensive income					
Unrealized gains on investments				3,324 (800)	3,324 (800)
Income tax expense				2,524	2,524
Other Comprehensive Income					
Comprehensive Income					42,032
Treasury Stock Redeemed			(89,457)		(89,457)
Balance December 31, 2016	2,500	2,191,241	(491,666)	2,524	1,704,599
Comprehensive Income					
Net loss		(1,836)			(1,836)
Other comprehensive income					
Unrealized gains on investments				6,092 (1,600)	6,092 (1,600)
Income tax expense				4,492	4,492
Other Comprehensive Income					
Comprehensive Income					2,656
Balance December 31, 2017	2,500	2,189,405	(491,666)	7,016	1,707,255

See Notes to Financial Statements.

DIESEL TRUCK DRIVER TRAINING SCHOOL, INC.

STATEMENTS OF CASH FLOW

Years Ending December 31, 2017 and 2016

See Accountant's Review Report

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Net income (loss)	\$ (1,836)	\$ 39,508
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	17,584	26,657
Depreciation expense	51,217	31,692
Change in assets and liabilities		
(Increase) decrease in:		
Contract and finance receivables	217,683	387,249
Due from related parties	165,980	58,511
Other current assets	420	(423)
Land contract receivable	5,648	5,493
Increase (decrease) in:		
Accounts payable	3,906	4,800
Note payable - line of credit	(37,480)	188,368
Due to related party	(39,402)	-
Accrued expenses	(2,714)	(13,220)
Accrued and deferred income taxes	(121,927)	(75,945)
Net cash provided by operating activities	<u>259,079</u>	<u>652,690</u>
Cash Flows From Investing Activities		
Purchase of investments	(45,260)	(48,148)
Purchase of treasury stock	-	(89,457)
Acquisitions of property and equipment	(246,150)	(217,400)
Net cash used by investing activities	<u>(291,410)</u>	<u>(355,005)</u>
Cash Flows From Financing Activities		
Proceeds from long term obligations	-	89,457
Payments on long term obligations	(44,612)	(155,117)
Net cash used by financing activities	<u>(44,612)</u>	<u>(65,660)</u>
Increase (decrease) in cash	(76,943)	232,025
Cash, beginning of year	<u>303,012</u>	<u>70,987</u>
Cash, end of year	<u>\$ 226,069</u>	<u>\$ 303,012</u>
Supplementary Disclosures of Cash Flow Information		
Interest paid	<u>\$ 5,358</u>	<u>\$ 13,353</u>
Income taxes paid	<u>\$ 129,685</u>	<u>\$ 88,062</u>

See Notes to Financial Statements.

DIESEL TRUCK DRIVER TRAINING SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of business - Diesel Truck Driver Training School, Inc. (the School) operates a truck driver training center in Sun Prairie, Wisconsin. Enrollment is based on the eligibility of the individual applicants.

Cash and cash equivalents - For preparing the statement of cash flows, cash includes currency, demand deposits, certificates of deposit, and money market accounts, and cash equivalents include investments whose original maturity is three months or less.

Investments - Marketable securities, primarily common stock and mutual funds, are stated at market and are classified as available-for-sale securities. Securities held as securities available-for-sale are stated at market value.

Accounts receivable and contracts receivable - Students are required to make a minimum down payment for their tuition charges, room and board allowances, and expense allowances from attending the School. These charges are also financed through other student assistance programs, depending on the eligibility of each individual student. The School grants credit to students for any remaining unpaid charges and allowances in the form of a contract receivable. These unsecured contracts require monthly payments and vary in length, depending on the amount financed.

Revenue and interest income - Revenues are recognized based on the amount of course time that has been completed by students, with a provision for uncollectible accounts. There was not any unearned tuition income as of December 31, 2017 and 2016. Interest income from student contracts receivable is recognized when payments are received.

Property and equipment - Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and improvements	10 - 30
Tractors, trailers and equipment	3 - 5
Office furniture and equipment	5 - 7

Repairs and maintenance of property and equipment are charged to expense as incurred. Additions, improvements and replacements, and major repairs are capitalized and depreciated. Property under capital leases are amortized over the lease term.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions for the reporting period and as of the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

Advertising and Sales Promotion Costs - Advertising and sales promotion costs are expenses as incurred and totaled \$32,727 and \$43,981 in 2017 and 2016, respectively.

DIESEL TRUCK DRIVER TRAINING SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive income (loss) - Comprehensive income (loss) is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, and is comprised of "net income (loss)" and "other comprehensive income (loss)". The Company's other comprehensive income (loss) is comprised exclusively of unrealized loss on investments, including income taxes attributed to those losses.

CONTRACTS RECEIVABLE - NET OF CURRENT PORTION

The composition of contracts receivable outstanding at December 31, 2017 and 2016 are summarized as follows-

	<u>2017</u>	<u>2016</u>
Contracts receivable - total	\$ 1,811,896	\$ 2,121,466
Allowance for doubtful accounts	<u>1,147,781</u>	<u>1,235,755</u>
Contracts receivable - net	664,115	885,711
Current portion of contracts receivable	<u>300,000</u>	<u>400,000</u>
Contracts receivable - net of current portion	<u>\$ 364,115</u>	<u>\$ 485,711</u>

INVESTMENTS

The company's investment activities were classified as available-for-sale and carried at estimated fair value. Investment securities at December 21, 2017 and 2016 are summarized as follows:

	<u>Cost</u>	Unrealized <u>Gains</u>	Unrealized <u>Losses</u>	Fair <u>Value</u>
<u>December 31, 2017</u>				
Cash and Deposit Accounts	\$ 47,950	\$ 632	\$ -	\$ 48,582
Equities	\$ 122,867	\$ 7,982		\$ 130,849
Exchange-Traded Products	<u>90,630</u>	<u>1,887</u>	<u>(1,084)</u>	<u>91,433</u>
Total	<u>261,447</u>	<u>10,501</u>	<u>(1,084)</u>	<u>270,864</u>

	<u>Cost</u>	Unrealized <u>Gains</u>	Unrealized <u>Losses</u>	Fair <u>Value</u>
<u>December 31, 2016</u>				
Cash and Deposit Accounts	\$ 11,606	\$ -	\$ -	\$ 11,606
Equities	\$ 137,908	\$ 1,352		\$ 139,260
Exchange-Traded Products	<u>68,274</u>	<u>1,972</u>	<u>-</u>	<u>70,246</u>
Total	<u>217,788</u>	<u>3,324</u>	<u>-</u>	<u>221,112</u>

DIESEL TRUCK DRIVER TRAINING SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

LEASE COMMITMENTS

The School leases various items under operating lease agreements. Rent expense for the year ended December 31, 2017 and 2016 was \$40,279 and \$16,330.

Future minimum lease commitments at December 31, 2017 are as follows:

Year ending	
<u>December 31,</u>	
2018	\$ 10,605
2019	10,440
Total	<u>\$ 21,045</u>

LONG TERM DEBT - NET OF CURRENT PORTION

Long Term Debt as of December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Note payable, with interest of 6.89% due in 12 monthly payments of \$1,056 and a final payment of unpaid principal and interest in January 2015, secured by specific assets	\$ -	\$ 1,306
Note payable - former shareholder, with interest of 0.25% due in monthly payments of \$11,765 and a final payment of unpaid principal and interest in December 2015, secured stock redeemed	-	-
Note payable, with interest of 4.768% due in weekly payments of \$319 and a final payment of unpaid principal and interest in December 2017, secured by specific assets	-	15,872
Mortgage payable, with interest of 5.25% due in monthly payments of \$2,960 and a final payment of unpaid principal and interest in July 2021, secured by business real estate and guarantees by the officers	<u>115,898</u>	<u>143,331</u>
Total Long Term Debt	115,898	160,509
Less current portion of long term debt	<u>27,000</u>	<u>50,000</u>
Long Term Debt - Net of Current Portion	<u>\$ 88,898</u>	<u>\$ 110,509</u>

DIESEL TRUCK DRIVER TRAINING SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

LONG TERM DEBT - NET OF CURRENT PORTION (Continued)

Aggregate maturities required on long term debt are as follows:

<u>December 31,</u>	
2018	\$ 27,000
2019	31,776
2020	33,484
2021	23,638
Total	<u>\$ 115,898</u>

The book value and estimated current value of the property and equipment securing the above long term debt is as follows:

	Book <u>Value</u>	Estimated <u>Value</u>
Land	\$ 60,432	\$ 350,000
Buildings and improvements	372,994	1,775,000
Tractors, trailers and equipment	166,273	330,000
Office furniture and equipment	-	150,000
Total	<u>\$ 599,699</u>	<u>\$ 2,605,000</u>

STOCK REDEMPTION

Pursuant to a Stock Restriction and Purchase Agreement, during 2016, the Company redeemed 79 shares of stock from the estate of a deceased stockholder. The shares were purchased for \$89,457 and were recorded as treasury stock.

NOTE PAYABLE - LINE OF CREDIT

The School has a \$200,000 line of credit. The line of credit bears interest at the prime rate plus .5% and has a maturity of June 28, 2018. The line of credit is secured by a certificate of deposit. The outstanding balance at December 31, 2017 and 2016 was \$150,888 and \$188,368, respectively.

INCOME TAXES

Deferred incomes taxes are a result of using accelerated depreciation, installment method of reporting the gain on the sale of property and the cash basis of accounting for income tax purpose. The provision for income taxes for the year ending December 31, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Current	\$ 87,358	\$ 125,117
Deferred	(82,000)	(113,000)
	<u>\$ 5,358</u>	<u>\$ 12,117</u>

DIESEL TRUCK DRIVER TRAINING SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

RELATED PARTY TRANSACTIONS

Watertower, Inc. (Watertower), which is related through common ownership and is under common control, provides lodging for many of the students attending the School. Room charges from the Watertower are added to the student's contracts receivable balance with the School. Lodging charges for the year ending December 31, 2017 and 2016 were \$63,865 and \$61,440, respectively.

Associated Training Services Corp. (Associated), which is related through common ownership and is under common control, operates an equipment training center at the School's facilities. Associated is charged for its share of the facilities expenses. The School provides CDL training to Associated students. Tuition charges for the year ending December 31, 2017 and 2016 were \$429,000 and \$507,000, respectively.

The School has advanced monies to the shareholders and officers of the School.

In 2015 the School sold 22 acres of its land, on land contract, to K Management, LLC, which is under common ownership. The selling price was \$100,000 and is payable in monthly installments of \$681, with interest at 2.82% and a final payment July 2030. The balance of the land contract at December 31, 2017 was \$86,516.

The amounts due from related parties for the above items were \$554,527 and \$641,697 as of December 31, 2017 and 2016, respectively.

ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The Company adopted the provisions of FASB Accounting Standards (ASC) 740, Income Taxes, on January 1, 2009. Previously, the School had accounted for tax contingencies in accordance with ASC 450, Contingencies. As required by the uncertain tax position guidance in ASC 740, the School recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon an ultimate settlement with the relevant tax authority. As the result of the implementation of the uncertain tax positions guidance in ASC 740, there were no tax positions taken which resulted in the recognition of unrecognized tax benefits as of December 31, 2017.

The School is subject to income taxes in the United States federal jurisdiction, and the State of Wisconsin. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply.

The School recognizes interest accrued related to unrecognized benefits in interest expense and recognizes penalties in operating expenses for all periods presented. During the years ended December 31, 2017 and 2016, the School did not recognize any interest or penalties associated with income taxes in the financial statements.

DIESEL TRUCK DRIVER TRAINING SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 15, 2018, the date which the financial statements were available for issue. Management has determined there are no material financial statement subsequent event disclosures necessary as of March 15, 2018.