

COMPUTER PROGRAMS & SYSTEMS INC

Form 10-Q

May 11, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2009.

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____.

Commission file number: 000-49796

COMPUTER PROGRAMS AND SYSTEMS, INC.

(Exact Name of Registrant as Specified in Its Charter)

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Delaware
(State or Other Jurisdiction of

74-3032373
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

6600 Wall Street, Mobile, Alabama
(Address of Principal Executive Offices)

36695
(Zip Code)

(251) 639-8100

(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 8, 2009, there were 10,955,954 shares of the issuer's common stock outstanding.

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(For the three months ended March 31, 2009)

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	March 31, 2009 (Unaudited)	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,246,191	\$ 11,744,466
Investments	11,962,917	11,845,646
Accounts receivable, net of allowance for doubtful accounts of \$591,000 and \$628,000, respectively	16,708,169	15,600,865
Financing receivables, current portion	2,236,021	2,357,014
Inventories	1,485,477	1,374,302
Deferred tax assets	1,380,397	1,331,708
Prepaid income taxes		319,152
Prepaid expenses	576,943	501,265
Total current assets	46,596,115	45,074,418
Property and equipment		
Land	936,026	936,026
Maintenance equipment	3,509,890	3,442,925
Computer equipment	5,993,549	5,818,875
Office furniture and equipment	1,835,274	1,749,348
Automobiles	132,926	132,926
	12,407,665	12,080,100
Less accumulated depreciation	(7,704,284)	(7,267,069)
Net property and equipment	4,703,381	4,813,031
Financing receivables, net of current portion	2,928,207	2,979,639
Total assets	\$ 54,227,703	\$ 52,867,088
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 1,361,023	\$ 1,829,505
Deferred revenue	3,654,285	3,728,356
Accrued vacation	2,370,831	2,297,116
Income taxes payable	1,212,237	
Other accrued liabilities	2,803,528	3,996,547
Total current liabilities	11,401,904	11,851,524
Deferred tax liabilities	714,932	456,394
Stockholders equity:		

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Common stock, par value \$0.001 per share; 30,000,000 shares authorized; 10,951,785 and 10,893,751 shares issued and outstanding	10,952	10,894
Additional paid-in capital	28,464,057	27,006,573
Accumulated other comprehensive income	48,519	56,715
Retained earnings	13,587,339	13,484,988
Total stockholders' equity	42,110,867	40,559,170
Total liabilities and stockholders' equity	\$ 54,227,703	\$ 52,867,088

See accompanying notes.

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COMPUTER PROGRAMS AND SYSTEMS, INC.
CONDENSED STATEMENTS OF INCOME (Unaudited)

	Three months ended March 31,	
	2009	2008
Sales revenues:		
System sales	\$ 9,616,854	\$ 10,655,360
Support and maintenance	13,833,393	13,085,769
Business management services	6,685,502	5,776,139
Total sales revenues	30,135,749	29,517,268
Costs of sales:		
System sales	7,806,776	7,902,583
Support and maintenance	4,940,858	4,797,344
Business management services	3,881,875	3,585,418
Total costs of sales	16,629,509	16,285,345
Gross profit	13,506,240	13,231,923
Operating expenses:		
Sales and marketing	2,075,962	2,259,758
General and administrative	5,141,986	5,474,351
Total operating expenses	7,217,948	7,734,109
Operating income	6,288,292	5,497,814
Other income:		
Interest income	233,177	265,248
Total other income	233,177	265,248
Income before taxes	6,521,469	5,763,062
Income taxes	2,496,186	2,257,056
Net income	\$ 4,025,283	\$ 3,506,006
Net income per share - basic	\$ 0.37	\$ 0.32
Net income per share - diluted	\$ 0.37	\$ 0.32
Weighted average shares outstanding		
Basic	10,906,147	10,825,338
Diluted	10,911,905	10,847,062
Dividends declared per share	\$ 0.36	\$ 0.36

See accompanying notes.

Table of Contents**COMPUTER PROGRAMS AND SYSTEMS, INC.****CONDENSED STATEMENT OF STOCKHOLDERS EQUITY (Unaudited)**

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders Equity
Balance at December 31, 2008	10,893,751	\$ 10,894	\$ 27,006,573	\$ 56,715	\$ 13,484,988	\$ 40,559,170
Net income					4,025,283	4,025,283
Issuance of common stock	58,034	58	957,503			957,561
Unrealized loss on investments held for sale, net of tax				(8,196)		(8,196)
Stock-based compensation			229,995			229,995
Dividends					(3,922,932)	(3,922,932)
Income tax benefit from stock option exercises			269,986			269,986
Balance at March 31, 2009	10,951,785	\$ 10,952	\$ 28,464,057	\$ 48,519	\$ 13,587,339	\$ 42,110,867

See accompanying notes.

Table of Contents**COMPUTER PROGRAMS AND SYSTEMS, INC.****CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)**

	Three months ended March 31,	
	2009	2008
Operating Activities		
Net income	\$ 4,025,283	\$ 3,506,006
Adjustments to net income:		
Provision for bad debt	44,500	560,000
Deferred taxes	214,927	(139,988)
Share-based compensation	229,995	224,162
Income tax benefit from stock option exercises	(269,986)	(5,778)
Income tax benefit from restricted stock dividends		(10,852)
Depreciation	437,215	478,130
Changes in operating assets and liabilities:		
Accounts receivable	(1,151,804)	(613,687)
Financing receivables	172,425	228,473
Inventories	(111,175)	(63,783)
Prepaid expenses	(75,678)	123,988
Accounts payable	(468,482)	(130,472)
Deferred revenue	(74,071)	(417,710)
Other liabilities	(1,119,304)	(1,319,930)
Income taxes payable	1,801,376	1,910,330
Net cash provided by operating activities	3,655,221	4,328,889
Investing Activities		
Purchases of property and equipment	(327,565)	(311,193)
Purchases of investments	(130,546)	(161,253)
Net cash used in investing activities	(458,111)	(472,446)
Financing Activities		
Proceeds from exercise of stock options	957,561	57,914
Income tax benefit from restricted stock dividends		10,852
Income tax benefit from stock option exercises	269,986	5,778
Dividends paid	(3,922,932)	(3,896,755)
Net cash used in financing activities	(2,695,385)	(3,822,211)
Increase in cash and cash equivalents	501,725	34,232
Cash and cash equivalents at beginning of period	11,744,466	11,806,017
Cash and cash equivalents at end of period	\$ 12,246,191	\$ 11,840,249
Cash paid for income taxes, net of refund	\$ 495,158	\$ 486,715
See accompanying notes.		

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NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and include all adjustments that, in the opinion of management, are necessary for a fair presentation of the results of the periods presented. All such adjustments are considered of a normal recurring nature. Quarterly results of operations are not necessarily indicative of annual results.

Certain financial information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These unaudited condensed financial statements should be read in conjunction with the audited financial statements of Computer Programs and Systems, Inc. (the Company) for the year ended December 31, 2008 and the notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2008.

2. REVENUE RECOGNITION

The Company recognizes revenue in accordance with accounting principles generally accepted in the United States of America, principally:

Statement of Position (SOP) No. 97 2, *Software Revenue Recognition*, issued by the American Institute of Certified Public Accountants (AICPA).

AICPA SOP No. 98 9, *Modification of SOP 97 2, Software Revenue Recognition, With Respect to Certain Transactions*.