

Computer Software Innovations, Inc.

Form 10-Q

November 14, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

OR

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: 000-51758

COMPUTER SOFTWARE INNOVATIONS, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

98-0216911
(I.R.S. Employer
Identification No.)

900 East Main Street, Suite T, Easley, South Carolina
(Address of principal executive offices)

(864) 855-3900
(Registrant's telephone number, including area code)

29640
(Zip Code)

[None]
(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 Section 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 (§232.405 of this chapter) 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 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 (Do not check if a smaller reporting company) 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 9, 2011
Common Stock, \$0.001 par value per share	6,584,191 shares

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COMPUTER SOFTWARE INNOVATIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(Amounts in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2011	2010	2011	2010
REVENUES				
Financial Management Applications Segment	\$ 3,526	\$ 3,381	\$ 10,184	\$ 10,472
Cloud Services Segment	277	214	866	698
Technology Solutions Segment	13,471	10,871	29,787	30,121
Net sales and service revenue	17,274	14,466	40,837	41,291
COST OF SALES				
<i>Financial Management Applications Segment</i>				
Cost of sales, excluding depreciation, amortization and capitalization	2,116	1,887	6,053	5,633
Depreciation	31	30	86	88
Amortization of capitalized software costs	289	306	787	843
Capitalization of software costs	(320)	(302)	(914)	(783)
Total Financial Management Applications Segment cost of sales	2,116	1,921	6,012	5,781
<i>Cloud Services Segment</i>				
Cost of sales, excluding depreciation, amortization and capitalization	672	433	1,846	1,418
Depreciation	75	19	180	38
Amortization of capitalized software costs	116	81	252	242
Capitalization of software costs	(189)	(113)	(522)	(487)
Total Cloud Services Segment cost of sales	674	420	1,756	1,211
<i>Technology Solutions Segment</i>				
Cost of sales, excluding depreciation	11,055	9,081	24,935	25,826
Depreciation	24	28	71	76
Total Technology Solutions Segment cost of sales	11,079	9,109	25,006	25,902
Total cost of sales	13,869	11,450	32,774	32,894
Gross profit	3,405	3,016	8,063	8,397
OPERATING EXPENSES				
Research and development	17	45	69	122
Selling costs	1,324	1,154	3,763	3,363
Marketing costs	137	118	440	387
Stock based (non-employee wage) compensation	7	8	22	49
Professional and legal public company compliance costs	157	66	386	385
Depreciation and amortization	100	134	308	434
Other general and administrative expenses	864	755	2,596	2,496
Total operating expenses	2,606	2,280	7,584	7,236

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Operating income	799	736	479	1,161
OTHER EXPENSE				
Interest expense	(49)	(54)	(137)	(201)
Loss on disposal of property and equipment				(2)
Other expense	(49)	(54)	(137)	(203)
Income before income taxes	750	682	342	958
INCOME TAX EXPENSE (BENEFIT)	(44)	295	(82)	443
NET INCOME	\$ 794	\$ 387	\$ 424	\$ 515
BASIC EARNINGS PER SHARE	\$ 0.12	\$ 0.06	\$ 0.06	\$ 0.08
DILUTED EARNINGS PER SHARE	\$ 0.06	\$ 0.03	\$ 0.03	\$ 0.04
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	6,577	6,522	6,565	6,490
Diluted	13,641	13,912	13,629	13,889

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**COMPUTER SOFTWARE INNOVATIONS, INC.****CONSOLIDATED BALANCE SHEETS**

<i>(Amounts in thousands)</i>	September 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$	\$ 1,578
Accounts receivable, net	11,266	8,681
Inventories	2,283	558
Prepaid expenses	261	159
Income taxes receivable	313	284
Total current assets	14,123	11,260
PROPERTY AND EQUIPMENT, net	1,381	1,033
COMPUTER SOFTWARE COSTS, net	3,243	2,844
GOODWILL	2,431	2,431
OTHER INTANGIBLE ASSETS, net	2,206	2,359
DEFERRED TAX ASSET	26	
Total assets	\$ 23,410	\$ 19,927
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 4,155	\$ 2,600
Deferred revenue	6,674	8,014
Deferred tax liability	886	693
Bank line of credit	3,187	
Current portion of notes payable	466	456
Current portion of subordinated notes payable to shareholders	64	58