

COMPUTER PROGRAMS & SYSTEMS INC

Form 10-Q

November 06, 2008

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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 September 30, 2008.

.. 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 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 November 5, 2008, there were 10,884,759 shares of the issuer's common stock outstanding.

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(For the three and nine months ended September 30, 2008)

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	September 30, 2008 (Unaudited)	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,505,863	\$ 11,806,017
Investments	11,576,621	11,352,457
Accounts receivable, net of allowance for doubtful accounts of \$731,398 and \$948,712, respectively	14,907,163	14,333,934
Financing receivables, current portion	1,925,728	1,734,954
Inventories	1,586,700	1,450,164
Deferred tax assets	1,497,462	1,393,602
Prepaid income tax	507,777	
Prepaid expenses	487,843	505,565
Total current assets	44,995,157	42,576,693
Property and equipment		
Land	936,026	936,026
Maintenance equipment	4,097,976	3,821,013
Computer equipment	6,003,973	5,663,741
Office furniture and equipment	1,745,442	1,576,728
Automobiles	132,926	132,926
	12,916,343	12,130,434
Less accumulated depreciation	(7,990,346)	(6,621,407)
Net property and equipment	4,925,997	5,509,027
Financing receivables, net of current portion	1,784,319	2,322,471
Total assets	\$ 51,705,473	\$ 50,408,191
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 2,294,818	\$ 1,716,882
Deferred revenue	4,583,425	3,580,709
Accrued vacation	2,359,001	2,112,256
Income taxes payable		541,987
Other accrued liabilities	3,175,669	3,506,845
Total current liabilities	12,412,913	11,458,679
Deferred tax liabilities	169,871	571,142
Stockholders equity:		

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Common stock, par value \$0.001 per share; 30,000,000 shares authorized; 10,884,003 and 10,807,444 shares issued and outstanding	10,884	10,807
Additional paid-in capital	26,602,374	24,658,818
Accumulated other comprehensive income (loss)	(47,659)	44,825
Retained earnings	12,557,090	13,663,920
Total stockholders' equity	39,122,689	38,378,370
Total liabilities and stockholders' equity	\$ 51,705,473	\$ 50,408,191

See accompanying notes.

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

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Sales revenues:				
System sales	\$ 10,741,956	\$ 9,773,770	\$ 29,855,699	\$ 28,356,239
Support and maintenance	13,398,595	12,686,801	39,617,215	37,594,924
Business management services	6,212,705	5,531,530	18,149,132	15,950,446
Total sales revenues	30,353,256	27,992,101	87,622,046	81,901,609
Costs of sales:				
System sales	8,674,854	7,819,978	23,792,019	22,765,381
Support and maintenance	4,862,183	4,932,859	14,431,604	14,995,784
Business management services	3,522,337	3,399,854	10,747,212	9,752,461
Total costs of sales	17,059,374	16,152,691	48,970,835	47,513,626
Gross profit	13,293,882	11,839,410	38,651,211	34,387,983
Operating expenses:				
Sales and marketing	2,174,638	2,614,278	6,564,133	6,996,610
General and administrative	4,985,969	4,492,797	15,747,189	14,149,844
Total operating expenses	7,160,607	7,107,075	22,311,322	21,146,454
Operating income	6,133,275	4,732,335	16,339,889	13,241,529
Other income:				
Interest income	243,921	293,669	739,877	842,778
Total other income	243,921	293,669	739,877	842,778
Income before taxes	6,377,196	5,026,004	17,079,766	14,084,307
Income taxes	2,283,831	1,798,390	6,489,207	4,995,274
Net income	\$ 4,093,365	\$ 3,227,614	\$ 10,590,559	\$ 9,089,033
Net income per share - basic	\$ 0.38	\$ 0.30	\$ 0.98	\$ 0.85
Net income per share - diluted	\$ 0.38	\$ 0.30	\$ 0.98	\$ 0.85
Weighted average shares outstanding				
Basic	10,776,840	10,718,643	10,758,656	10,688,709
Diluted	10,796,217	10,757,137	10,777,041	10,736,174
Dividends declared per share	\$ 0.36	\$ 0.36	\$ 1.08	\$ 1.08

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 (loss)	Retained Earnings	Total Stockholders Equity
Balance at December 31, 2007	10,807,444	\$ 10,807	\$ 24,658,818	\$ 44,825	\$ 13,663,920	\$ 38,378,370
Net income					10,590,559	10,590,559
Issuance of common stock	76,559	77	991,375			991,452
Unrealized loss on available for sale investments, net of tax				(92,484)		(92,484)
Share-based compensation			684,152			684,152
Dividends					(11,697,389)	(11,697,389)
Income tax benefit from restricted stock dividends			32,458			32,458
Income tax benefit from stock option exercises			235,571			235,571
Balance at September 30, 2008	10,884,003	\$ 10,884	\$ 26,602,374	\$ (47,659)	\$ 12,557,090	\$ 39,122,689

See accompanying notes.

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

	Nine months ended September 30,	
	2008	2007
Operating Activities		
Net income	\$ 10,590,559	\$ 9,089,033
Adjustments to net income:		
Provision for bad debt	1,312,271	17,235
Deferred taxes	(417,542)	(47,787)
Share-based compensation	684,152	879,143
Income tax benefit from stock option exercises	(235,571)	(315,382)
Income tax benefit from restricted stock dividends	(32,458)	
Depreciation	1,368,939	1,488,928
Changes in operating assets and liabilities:		
Accounts receivable	(1,885,500)	306,075
Financing receivables	347,378	49,190
Inventories	(136,536)	64,330
Prepaid expenses	17,722	43,674
Accounts payable	577,936	160,491
Deferred revenue	1,002,716	1,068,129
Other liabilities	(84,431)	(58,567)
Income taxes (prepaid) payable	(781,735)	144,772
Net cash provided by operating activities		