

COMPUTER PROGRAMS & SYSTEMS INC
Form 10-Q
August 08, 2007
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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 June 30, 2007.

.. 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)

Delaware
(State or Other Jurisdiction of

Incorporation or Organization)

74-3032373
(I.R.S. Employer

Identification No.)

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

(251) 639-8100

36695
(Zip Code)

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(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, or a non-accelerated filer company. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 August 3, 2007, there were 10,801,327 shares of the issuer's common stock outstanding.

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COMPUTER PROGRAMS AND SYSTEMS, INC.

Form 10-Q

(For the period ended June 30, 2007)

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Table of Contents**PART I****FINANCIAL INFORMATION****Item 1. Financial Statements.****COMPUTER PROGRAMS AND SYSTEMS, INC.****CONDENSED BALANCE SHEETS**

	June 30, 2007 (Unaudited)	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,657,180	\$ 8,760,122
Investments	10,971,746	10,717,952
Accounts receivable, net of allowance for doubtful accounts of \$825,000 and \$814,000, respectively	14,250,349	14,095,791
Financing receivables, current portion	2,207,353	2,177,430
Inventories	1,515,843	1,668,119
Deferred tax assets	1,369,620	1,406,279
Prepaid income taxes	30,617	107,426
Prepaid expenses	294,514	319,533
Total current assets	40,297,222	39,252,652
Property and equipment		
Land	936,026	936,026
Maintenance equipment	4,715,084	4,446,419
Computer equipment	6,820,585	6,440,844
Office furniture and equipment	1,948,632	1,940,853
Automobiles	132,926	132,926
	14,553,253	13,897,068
Less accumulated depreciation	(8,687,848)	(7,641,868)
Net property and equipment	5,865,405	6,255,200
Financing receivables	2,433,308	2,396,764
Total assets	\$ 48,595,935	\$ 47,904,616
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 1,202,777	\$ 1,204,279
Deferred revenue	3,411,361	2,274,592
Accrued vacation	2,148,740	2,053,288
Other accrued liabilities	2,888,822	3,157,585
Total current liabilities	9,651,700	8,689,744
Deferred tax liabilities	539,000	508,382
Stockholders' equity:		
Common stock, par value \$0.001 per share; 30,000,000 shares authorized; 10,797,904 and 10,756,381 shares issued and outstanding	10,798	10,756

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Additional paid-in capital	24,002,713	22,427,967
Accumulated other comprehensive income (loss)	273	(7,333)
Retained earnings	14,391,451	16,275,100
Total stockholders' equity	38,405,235	38,706,490
Total liabilities and stockholders' equity	\$ 48,595,935	\$ 47,904,616

See accompanying notes.

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

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Sales revenues:				
System sales	\$ 10,265,862	\$ 13,212,070	\$ 18,582,469	\$ 27,731,119
Support and maintenance	12,367,782	11,426,796	24,908,123	22,597,106
Outsourcing	5,329,436	4,345,915	10,418,915	8,193,869
Total sales revenues	27,963,080	28,984,781	53,909,507	58,522,094
Costs of sales:				
System sales	7,765,596	8,521,092	14,945,403	17,276,525
Support and maintenance	5,006,426	5,040,841	10,062,925	9,948,400
Outsourcing	3,295,311	2,459,310	6,352,608	4,682,687
Total costs of sales	16,067,333	16,021,243	31,360,936	31,907,612
Gross profit	11,895,747	12,963,538	22,548,571	26,614,482
Operating expenses:				
Sales and marketing	2,306,268	2,132,828	4,382,331	4,341,624
General and administrative	4,764,994	4,410,076	9,657,047	9,392,085
Total operating expenses	7,071,262	6,542,904	14,039,378	13,733,709
Operating income	4,824,485	6,420,634	8,509,193	12,880,773
Other income:				
Interest income	272,473	264,048	549,108	520,758
Total other income	272,473	264,048	549,108	520,758
Income before taxes	5,096,958	6,684,682	9,058,301	13,401,531
Income taxes	1,795,058	2,599,836	3,196,884	5,223,483
Net income	\$ 3,301,900	\$ 4,084,846	\$ 5,861,417	\$ 8,178,048
Net income per share basic	\$ 0.31	\$ 0.38	\$ 0.55	\$ 0.77
Net income per share diluted	\$ 0.31	\$ 0.38	\$ 0.55	\$ 0.76
Weighted average shares outstanding				
Basic	10,682,876	10,637,288	10,673,495	10,632,933
Diluted	10,732,503	10,718,971	10,725,519	10,717,100
Dividends declared per share	\$ 0.36	\$ 0.36	\$ 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 (Loss)	Retained Earnings	Total Stockholders Equity
Balance at December 31, 2006	10,756,381	10,756	\$ 22,427,967	\$ (7,333)	\$ 16,275,100	\$ 38,706,490
Net Income					5,861,417	5,861,417
Issuance of common stock	41,523	42	685,328			685,370
Unrealized gain on available for sale investments, net of tax of \$4,862				7,606		7,606
Share-based compensation			641,648			641,648
Dividends					(7,745,066)	(7,745,066)
Income tax benefit from stock option exercise			247,770			247,770
Balance at June 30, 2007	10,797,904	10,798	\$ 24,002,713	\$ 273	\$ 14,391,451	\$ 38,405,235

See accompanying notes.

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

	Six months ended June 30,	
	2007	2006
Operating Activities		
Net income	\$ 5,861,417	\$ 8,178,048
Adjustments to net income:		
Provision for bad debt	14,111	(73,292)
Deferred taxes	65,866	(423,910)
Share-based compensation	641,648	664,474
Income tax benefit from stock option exercises	(247,770)	(165,204)
Depreciation	1,045,980	992,518
Changes in operating assets and liabilities:		
Accounts receivable	(168,669)	(1,016,739)
Financing receivables	(66,467)	(558,591)
Inventories	152,276	165,043
Prepaid expenses	25,019	(88,700)
Accounts payable	(1,502)	(614,240)
Deferred revenue	1,136,769	(614,708)
Other liabilities	(173,311)	121,538
Income taxes payable	324,579	397,257
Net cash provided by operating activities	8,609,946	6,963,494
Investing Activities		
Purchases of property and equipment	(656,185)	(946,635)
Purchases of investments	(244,777)	(189,267)
Net cash used in investing activities	(900,962)	(1,135,902)
Financing Activities		
Proceeds from exercise of stock options	685,370	239,696
Income tax benefit from stock option exercises	247,770	165,204
Dividends paid	(7,745,066)	(7,739,034)
Net cash used in financing activities	()	()