COMPUTER SOFTWARE INNOVATIONS INC
Form 424B3
June 04, 2008
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PROSPECTUS SUPPLEMENT NO. 1	**Filed Pursuant to Rule 424(b)(3)**
To Prospectus dated May 9, 2008	**Registration No. 333-129842**

Computer Software Innovations, Inc.

14,435,472 SHARES OF COMMON STOCK

This Prospectus Supplement supplements the Prospectus dated May 9, 2008, as amended and supplemented, relating to the offer and sale by the selling stockholder identified in the Prospectus of up to 14,435,472 shares of common stock of Computer Software Innovations, Inc. (the Company).

This Prospectus Supplement includes the Company s Form 10-Q, without exhibits, and Form 8-K, with exhibits, both filed with the Securities and Exchange Commission on May 13, 2008 and Form 8-K, with exhibits, which was filed with the Securities and Exchange Commission on June 3, 2008.

The information contained in the reports included in this Prospectus Supplement is dated as of the period of such reports. This Prospectus Supplement should be read in conjunction with the Prospectus dated May 9, 2008, which is to be delivered with this Prospectus Supplement. This Prospectus Supplement is qualified by reference to the Prospectus except to the extent that the information in this Prospectus Supplement updates and supersedes the information contained in the Prospectus dated May 9, 2008, including any supplements or amendments thereto.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement No. 1 is June 4, 2008.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2008

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)

Delaware	**98-0216911**
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
900 East Main Street, Suite T, Easley, South Carolina	**29640**
(Address of principal executive offices)	(Zip Code)

(864) 855-3900

(Registrant s telephone number, including area 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 x 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 x

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

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 May 8, 2008**
Common Stock, $0.001 par value per share	4,698,970 shares

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PART I   FINANCIAL INFORMATION

Item 1. Financial Statements.

COMPUTER SOFTWARE INNOVATIONS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended	
	March 31, 2008	**March 31, 2007**
REVENUES		
Software applications segment	$ 3,057,614	$ 2,739,436
Technology solutions segment	9,005,380	8,912,296
Net sales and service revenue	12,062,994	11,651,732
COST OF SALES		
Software applications segment:		
Cost of sales, excluding depreciation, amortization and capitalization	1,666,219	1,418,727
Depreciation	24,287	14,310
Amortization of capitalized software costs	283,811	239,197
Capitalization of software costs	(295,630)	(226,973)
Total software applications segment cost of sales	1,678,687	1,445,261
Technology solutions segment:		
Cost of sales, excluding depreciation	7,331,732	7,651,606
Depreciation	28,648	21,464
Total technology solutions segment cost of sales	7,360,380	7,673,070
Total cost of sales	9,039,067	9,118,331
Gross profit	3,023,927	2,533,401
OPERATING EXPENSES		
Salaries and wages and benefits	1,318,343	1,067,205
Stock based compensation	4,691	85,786
Acquisition expenses	23,500	4,470
Compliance related costs	96,499	179,577
Sales consulting fees	62,877	48,000
Marketing costs	8,965	(2,225)
Travel and mobile costs	170,851	153,481
Depreciation and amortization	106,262	90,247
Other selling, general and administrative expenses	407,308	327,055
Total operating expenses	2,199,296	1,953,596
Operating income	824,631	579,805
OTHER INCOME (EXPENSE)		
Interest income	65	2,705

Interest expense		(132,325)		(134,019)
Loss on disposal of property and equipment				(1,218)
Net other income (expense)		(132,260)		(132,532)
Income before income taxes		692,371		447,273
INCOME TAX EXPENSE		264,609		162,490
Net income	$	**427,762**	$	**284,783**
BASIC EARNINGS PER SHARE	$	**0.09**	$	**0.08**
DILUTED EARNINGS PER SHARE	$	**0.03**	$	**0.02**
WEIGHTED AVERAGE SHARES OUTSTANDING Basic		**4,698,970**		**3,489,015**
WEIGHTED AVERAGE SHARES OUTSTANDING Diluted		**12,451,318**		**13,675,910**

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

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COMPUTER SOFTWARE INNOVATIONS, INC.

CONSOLIDATED BALANCE SHEETS

	March 31, 2008 (Unaudited)	December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash and equivalents	$	$
Accounts receivable, net	7,736,871	8,697,036
Inventory	1,225,380	470,485
Prepaid expenses	74,557	42,832
Income taxes receivable		177,147
Total current assets	9,036,808	9,387,500
PROPERTY AND EQUIPMENT, net	1,375,134	1,316,713
COMPUTER SOFTWARE COSTS, net	2,214,516	2,162,717
DEFERRED TAX ASSET	305,622	263,324
GOODWILL	1,480,587	1,480,587
OTHER ASSETS	2,866,351	1,574,809
	$ 17,279,018	$ 16,185,650
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 4,963,331	$ 4,023,936
Deferred revenue	4,284,436	5,323,889
Deferred tax liability	516,330	469,046
Income tax payable	79,826	
Current portion of notes payable	288,781	283,187
Subordinated notes payable to shareholders	2,250,400	2,250,400
Total current liabilities	12,383,104	12,350,458
NOTES PAYABLE, less current portion	689,513	763,717
BANK LINE OF CREDIT	1,260,000	575,000
Total liabilities	14,332,617	13,689,175
SHAREHOLDERS EQUITY		
Preferred stock - $0.001 par value; 15,000,000 shares authorized; 6,859,736 shares issued and outstanding	6,860	6,860
Common stock - $0.001 par value; 40,000,000 shares authorized; 4,698,970 shares issued and outstanding	4,699	4,699
Additional paid-in capital	7,400,939	7,400,939
Accumulated deficit	(4,356,957)	(4,784,719)
Unearned stock compensation	(109,140)	(131,304)
Total shareholders equity	2,946,401	2,496,475
	$ 17,279,018	$ 16,185,650

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

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COMPUTER SOFTWARE INNOVATIONS, INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

(UNAUDITED)

	Common Stock	Preferred Stock	Additional Paid-In Capital	Accumulated Deficit	Unearned Stock Compensation	Total
Balances at December 31, 2007	$ 4,699	$ 6,860	$ 7,400,939	$ (4,784,719)	$ (131,304)	$ 2,496,475
Stock-based compensation					22,164	22,164
Net income for the three months ended March 31, 2008				427,762		427,762
Balances at March 31, 2008	**$ 4,699**	**$ 6,860**	**$ 7,400,939**	**$ (4,356,957)**	**$ (109,140)**	**$ 2,946,401**

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

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COMPUTER SOFTWARE INNOVATIONS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Three Months Ended	
	March 31, 2008	March 31, 2007
OPERATING ACTIVITIES		
Net income	$ 427,762	$ 284,783
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	443,008	365,218
Stock compensation expense, net	22,164	85,786
Deferred income taxes	4,986	161,141
Loss on disposal of fixed assets		1,218
Changes in deferred and accrued amounts		
Accounts receivable	960,165	(1,665,248)
Inventories	(754,895)	2,517,222
Prepaid expenses and other assets	(31,725)	51,994
Accounts payable	939,395	(818,153)
Deferred revenue	(1,039,453)	1,768,129
Taxes payable	256,973	
Net cash provided by operating activities	1,228,380	2,752,090
INVESTING ACTIVITIES		
Purchases of property and equipment	(188,165)	(82,639)
Capitalization of software costs	(335,610)	(248,574)
Purchase of computer software		
Payment for acquisitions	(1,320,995)	(4,149,519)
Net cash used for investing activities	(1,844,770)	(4,480,732)
FINANCING ACTIVITIES		
Net borrowings under line of credit	685,000	790,000
Borrowings under long term notes payable		972,046
Repayments of long term notes payable	(68,610)	(40,033)
Exercise of stock options		