

COMPUTER PROGRAMS & SYSTEMS INC

Form 10-Q

August 08, 2011

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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, 2011.

.. **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 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 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  (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

As of August 5, 2011, there were 11,063,220 shares of the issuer's common stock outstanding.

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**(For the three and six months ended June 30, 2011)**

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	June 30, 2011 (Unaudited)	December 31, 2010
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,472,714	\$ 2,939,839
Investments	16,483,962	13,401,923
Accounts receivable, net of allowance for doubtful accounts of \$2,263,000 and \$969,000, respectively	26,214,552	25,472,529
Financing receivables, current portion, net	3,298,616	3,114,201
Inventories	1,843,971	1,782,743
Deferred tax assets	2,695,168	2,244,299
Prepaid income taxes		102,250
Prepaid expenses	418,743	562,210
<b>Total current assets</b>	<b>59,427,726</b>	<b>49,619,994</b>
Property and equipment		
Land	936,026	936,026
Maintenance equipment	4,434,438	4,248,439
Computer equipment	8,814,648	8,305,850
Leasehold improvements	3,110,140	3,068,854
Office furniture and equipment	2,946,819	2,858,967
Automobiles	190,542	158,042
	20,432,613	19,576,178
Less accumulated depreciation	(12,124,901)	(10,893,120)
<b>Net property and equipment</b>	<b>8,307,712</b>	<b>8,683,058</b>
Financing receivables, net of current portion, net	4,670,344	4,432,277
<b>Total assets</b>	<b>\$ 72,405,782</b>	<b>\$ 62,735,329</b>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 3,331,546	\$ 2,617,377
Deferred revenue	5,585,435	4,469,507
Accrued vacation	3,204,279	2,951,841
Income taxes payable	127,657	
Other accrued liabilities	6,335,604	4,446,727
<b>Total current liabilities</b>	<b>18,584,521</b>	<b>14,485,452</b>
Deferred tax liabilities	1,597,835	1,785,854
Stockholders equity:		

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Common stock, par value \$0.001 per share; 30,000,000 shares authorized; 11,063,220 and 10,962,874 shares issued and outstanding	11,063	10,963
Additional paid-in capital	30,943,929	30,549,149
Accumulated other comprehensive income	63,506	58,903
Retained earnings	21,204,928	15,845,008
 Total stockholders' equity	 52,223,426	 46,464,023
 Total liabilities and stockholders' equity	 \$ 72,405,782	 \$ 62,735,329

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,	
	2011	2010	2011	2010
<b>Sales revenues:</b>				
System sales	\$ 23,593,386	\$ 14,866,987	\$ 39,200,112	\$ 24,567,121
Support and maintenance	16,205,796	14,468,055	32,367,819	28,674,357
Business management services	9,039,513	8,378,107	17,650,998	16,013,118
<b>Total sales revenues</b>	<b>48,838,695</b>	<b>37,713,149</b>	<b>89,218,929</b>	<b>69,254,596</b>
<b>Costs of sales:</b>				
System sales	13,529,202	11,719,462	25,650,036	21,186,279
Support and maintenance	6,494,966	5,928,631	12,938,777	11,458,917
Business management services	4,657,545	4,380,225	9,337,294	8,815,147
<b>Total costs of sales</b>	<b>24,681,713</b>	<b>22,028,318</b>	<b>47,926,107</b>	<b>41,460,343</b>
<b>Gross profit</b>	<b>24,156,982</b>	<b>15,684,831</b>	<b>41,292,822</b>	<b>27,794,253</b>
<b>Operating expenses:</b>				
Sales and marketing	3,866,204	2,804,440	6,791,233	5,003,500
General and administrative	7,651,899	6,066,531	13,371,472	11,577,520
<b>Total operating expenses</b>	<b>11,518,103</b>	<b>8,870,971</b>	<b>20,162,705</b>	<b>16,581,020</b>
<b>Operating income</b>	<b>12,638,879</b>	<b>6,813,860</b>	<b>21,130,117</b>	<b>11,213,233</b>
<b>Other income:</b>				
Interest income	158,177	119,500	311,511	290,881
<b>Total other income</b>	<b>158,177</b>	<b>119,500</b>	<b>311,511</b>	<b>290,881</b>
<b>Income before taxes</b>	<b>12,797,056</b>	<b>6,933,360</b>	<b>21,441,628</b>	<b>11,504,114</b>
<b>Income taxes</b>	<b>4,880,908</b>	<b>2,669,042</b>	<b>8,152,314</b>	<b>4,319,545</b>
<b>Net income</b>	<b>\$ 7,916,148</b>	<b>\$ 4,264,318</b>	<b>\$ 13,289,314</b>	<b>\$ 7,184,569</b>
<b>Net income per share - basic</b>	<b>\$ 0.72</b>	<b>\$ 0.39</b>	<b>\$ 1.21</b>	<b>\$ 0.66</b>
<b>Net income per share - diluted</b>	<b>\$ 0.72</b>	<b>\$ 0.39</b>	<b>\$ 1.21</b>	<b>\$ 0.66</b>
<b>Weighted average shares outstanding</b>				
Basic	11,044,474	10,962,874	11,003,899	10,962,874
Diluted	11,044,474	10,962,874	11,003,899	10,962,874
<b>Dividends declared per share</b>	<b>\$ 0.36</b>	<b>\$ 0.36</b>	<b>\$ 0.72</b>	<b>\$ 0.72</b>

See accompanying notes.

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**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, 2010	10,962,874	\$ 10,963	\$ 30,549,149	\$ 58,903	\$ 15,845,008	\$ 46,464,023
Net income					13,289,314	13,289,314
Unrealized gain on investments available for sale, net of tax						