

COMPUTER SOFTWARE INNOVATIONS INC  
Form 10-Q  
August 14, 2008  
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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 June 30, 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)

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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)

**29640**  
(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  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 August 8, 2008
Common Stock, \$0.001 par value per share	4,908,061 shares

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****COMPUTER SOFTWARE INNOVATIONS, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)**

	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
<b>REVENUES</b>				
Software applications segment	\$ 3,806,286	\$ 2,794,725	\$ 6,863,900	\$ 5,534,161
Technology solutions segment	13,744,230	14,306,570	22,749,610	23,218,866
Net sales and service revenue	17,550,516	17,101,295	29,613,510	28,753,027
<b>COST OF SALES</b>				
Software applications segment				
Cost of sales, excluding depreciation, amortization and capitalization	1,984,887	1,661,868	3,651,105	3,080,595
Depreciation	27,385	16,608	51,672	30,918
Amortization of capitalized software costs	314,190	259,125	598,002	498,322
Capitalization of software costs	(203,892)	(208,880)	(499,522)	(435,853)
Total Software applications segment cost of sales	2,122,570	1,728,721	3,801,257	3,173,982
Technology solutions segment				
Cost of sales, excluding depreciation	10,770,911	11,327,634	18,102,643	18,979,240
Depreciation	30,292	22,270	58,940	43,734
Total Technology solutions segment cost of sales	10,801,203	11,349,904	18,161,583	19,022,974
Total cost of sales	12,923,773	13,078,625	21,962,840	22,196,956
Gross profit	4,626,743	4,022,670	7,650,670	6,556,071
<b>OPERATING EXPENSES</b>				
Salaries, wages and benefits	1,804,972	1,390,359	3,123,316	2,457,563
Stock based compensation	4,691	5,027	9,383	90,813
Acquisition expenses	9,345	4,076	32,844	8,546
Compliance related costs	137,654	201,178	234,153	380,756
Sales consulting fees	55,625	48,000	118,502	96,000
Marketing costs	106,075	75,537	115,039	73,312
Travel and mobile costs	180,073	137,128	350,924	290,609
Depreciation and amortization	122,159	90,502	228,420	180,749
Other selling, general and administrative expenses	390,362	240,209	797,671	567,261
Total operating expenses	2,810,956	2,192,016	5,010,252	4,145,609
Operating income	1,815,787	1,830,654	2,640,418	2,410,462
<b>OTHER INCOME (EXPENSE)</b>				
Interest income	35	58	100	2,763
Interest expense	(130,697)	(152,036)	(263,022)	(286,055)

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Loss on disposal of property and equipment				(1,218)
Net other income (expense)	(130,662)	(151,978)	(262,922)	(284,510)
Income before income taxes	1,685,125	1,678,676	2,377,496	2,125,952
INCOME TAX EXPENSE	673,507	775,499	938,115	937,989
<b>NET INCOME</b>	<b>\$ 1,011,618</b>	<b>\$ 903,177</b>	<b>\$ 1,439,381</b>	<b>\$ 1,187,963</b>
<b>BASIC EARNINGS PER SHARE</b>	<b>\$ 0.21</b>	<b>\$ 0.25</b>	<b>\$ 0.30</b>	<b>\$ 0.34</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>\$ 0.08</b>	<b>\$ 0.07</b>	<b>\$ 0.12</b>	<b>\$ 0.09</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING:</b>				
<b>Basic</b>	<b>4,908,061</b>	<b>3,544,385</b>	<b>4,803,516</b>	<b>3,516,853</b>
<b>Diluted</b>	<b>12,366,568</b>	<b>13,255,883</b>	<b>12,262,023</b>	<b>13,248,383</b>

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

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

	June 30, 2008 (Unaudited)	December 31, 2007
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$	\$
Accounts receivable, net	13,420,118	8,697,036
Inventories	2,549,374	470,485
Prepaid expenses	152,008	42,832
Taxes receivable		177,147
Total current assets	16,121,500	9,387,500
<b>PROPERTY AND EQUIPMENT, net</b>	1,424,187	1,316,713
<b>COMPUTER SOFTWARE COSTS, net</b>	2,303,453	2,162,717
<b>DEFERRED TAX ASSET</b>	291,535	263,324
<b>GOODWILL</b>	2,430,437	1,480,587
<b>OTHER INTANGIBLE ASSETS, net</b>	1,970,132	1,574,809
	<b>\$ 24,541,244</b>	<b>\$ 16,185,650</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 6,553,141	\$ 4,023,936
Taxes payable	340,418	
Deferred revenue	6,565,440	5,323,889
Deferred tax liability	478,232	469,046
Current portion of notes payable	294,485	283,187
Subordinated notes payable to shareholders	1,950,400	2,250,400
Total current liabilities	16,182,116	12,350,458
<b>NOTES PAYABLE, less current portion</b>	614,025	763,717
<b>BANK LINE OF CREDIT</b>	3,533,000	575,000
Total liabilities	<b>20,329,141</b>	<b>13,689,175</b>
<b>SHAREHOLDERS EQUITY (DEFICIT)</b>		
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; 4,908,061 and 4,698,970 shares issued and outstanding, respectively	4,908	4,699
Additional paid-in capital	7,649,583	7,400,939
Accumulated deficit	(3,345,338)	(4,784,719)
Unearned stock compensation	(103,910)	(131,304)
Total shareholders equity	4,212,103	2,496,475
	<b>\$ 24,541,244</b>	<b>\$ 16,185,650</b>

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
<b>Balances at December 31, 2007</b>	<b>\$ 4,699</b>	<b>\$ 6,860</b>	<b>\$ 7,400,939</b>	<b>\$ (4,784,719)</b>	<b>\$ (131,304)</b>	<b>\$ 2,496,475</b>
Issuance of common stock, ICS Acquisition	209		229,791			230,000
Issuance of stock options						