PARK CITY GROUP INC
Form 10-K/A
October 09, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2015
or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

001-34941
(Commission file number)

PARK CITY GROUP, INC.
(Exact name of registrant as specified in its charter)

Nevada State or other jurisdiction of incorporation	37-1454128 (IRS Employer Identification No.)
299 South Main Street, Suite 2370 Salt Lake City, Utah 84111 (Address of principal executive offices)	(435) 645-2000 (Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Title of each Class	Name of each exchange on which registered
Common Stock, $0.01 Par Value	NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $0.01 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. [ ] Yes [X] No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. [ ] Yes [X] No

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. [X] 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 (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [X] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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	[X]
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 Act).
[ ] Yes [X] No

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the issuer as of December 31, 2014, which is the last business day of the registrant's most recently completed second fiscal quarter, was approximately $114,182,000 (at a closing price of $9.02 per share).

As of September 11, 2015, 19,064,108 shares of the Company's $0.01 par value common stock were outstanding.

EXPLANATORY NOTE

Park City Group, Inc. (the “Company”) is filing this Amendment No. 1 on Form 10-K/A (this “Amendment”) to amend its Annual Report on Form 10-K for the fiscal year ended June 30, 2015, as filed with the Securities and Exchange Commission (the “SEC”) on September 14, 2015 (the “Original 10-K”). The purpose of this Amendment is to amend Note 1 to the Company’s consolidated financial statement in Part II, “Item 8. Financial Statement and Supplementary Data” solely to correct certain figures in the unaudited pro-forma results of operations for the years ended June 30, 2015 and 2014, with regards to the Company’s acquisition of ReposiTrak, Inc.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), this Amendment also includes currently dated certifications from the Company’s Chief Executive Officer and Chief Financial Officer as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certification exhibits have been revised accordingly.

This Amendment should be read in conjunction with the Original 10-K and the Company’s other filings made with the SEC subsequent to the filing of the Original 10-K on September 14, 2015. This Amendment is not intended to, nor does it, reflect events occurring after the filing of the Original 10-K, and does not modify or update the disclosures therein in any way other than as required to reflect the changes described above.

TABLE OF CONTENTS TO AMENDMENT NO. 1 TO
ANNUAL REPORT ON FORM 10-K/A OF PARK CITY GROUP, INC.
FOR THE YEAR ENDED JUNE 30, 2015

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. The words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressi intended to identify "forward-looking statements." Actual results could differ materially from those projected in the forward looking statements as a result of a number of risks and uncertainties, including the risk factors set forth below and elsewhere in this Report. See "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Statements made herein are as of the date of the filing of this Form 10-K with the Securities and Exchange Commission and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

PART II

ITEM 8. FINANCIAL STATEMENTS

The information required hereunder in this Annual Report on Form 10-K is set forth in the financial statements and the notes thereto beginning on Page F-1.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibits, Financial Statements and Schedules

Exhibit Number	Description
2.1	Agreement and Plan of Merger and Reorganization, Dated August 28, 2008 (1)
2.2	Form of Stock Purchase Agreement (1)
2.3	Form of Stock Voting Agreement (1)
2.4	Form of Promissory Note (2)
3.1	Articles Of Incorporation (3)
3.2	Certificate Of Amendment (4)
3.3	Certificate of Amendment (5)
3.4	Bylaws (3)
4.1	Certificate of Designation of the Series A Convertible Preferred Stock (6)
4.2	Certificate of Designation of the Series B Convertible Preferred Stock (7)
10.1	Subordinated Promissory Note, dated April 1, 2009, issued to Riverview Financial Corporation (8)
10.2	Amendment to Loan Agreement and Note, by and between U.S. Bank National Association and the Company, dated September 15, 2009 (9)
10.3	Term Loan Agreement, by and between U.S. Bank National Association and the Company, dated May 5, 2010 (10)
10.4	Amendment to Loan Agreement and Note, by and between U.S. Bank National Association and the Company, dated May 5, 2010 (10)
10.5	Promissory Note, dated August 25, 2009, issued to Baylake Bank (10)
10.6	ReposiTrak Omnibus Subscription Agreement (11)
10.7	ReposiTrak Promissory Note (11)
10.8	Fields Employment Agreement(14)
10.9	Services Agreement(14)
10.10	Form of Securities Purchase Agreement (15)
14.1	Code of Ethics and Business Conduct (12)
21	List of Subsidiaries (13)
23	Consent of HJ & Associates, LLC, dated October 9, 2015 *
31.1	Certification of Principal Executive Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002 *
31.2	Certification of Principal Financial Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002 *
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350 *

(1) Incorporated by reference from our Form 8-K dated September 3, 2008.
(2) Incorporated by reference from our Form 8-K dated September 15, 2008.
(3) Incorporated by reference from our Form DEF 14C dated June 5, 2002.
(4) Incorporated by reference from our Form 10-QSB for the year ended Sept 30, 2005.
(5) Incorporated by reference from our Form 10-KSB dated September 29, 2006.
(6) Incorporated by reference from our Form 8-K dated June 27, 2007.
(7) Incorporated by reference from our Form 8-K dated July 21, 2010.
(8) Incorporated by reference from our Form 8-K dated September 30, 2009.
(9) Incorporated by reference from our Form 8-K dated October 1, 2009.
(10) Incorporated by reference from our Form 8-K dated August 25, 2009.
(11) Incorporated by reference from our Annual Report on Form 10-K dated September 23, 2014.
(12) Incorporated by reference from our Form 10-KSB dated September 30, 2008.
(13) Incorporated by reference from our Form 10-K dated September 13, 2011.
(14) Incorporated by reference from our Form 10-K dated September 11, 2014.
(15) Incorporated by reference from our Form 8-K dated May 13, 2015
* Filed herewith

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PARK CITY GROUP, INC.
(Registrant)

Date:	October 9, 2015	By:	/s/ Randall K. Fields
			Principal Executive Officer, Chairman of the Board and Director

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Park City Group, Inc.
Salt Lake City, Utah

We have audited the accompanying consolidated balance sheets of Park City Group, Inc. and Subsidiaries as of June 30, 2015 and 2014, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the three years in the period ended June 30, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Park City Group, Inc. and Subsidiaries as of June 30, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2015, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Park City Group, Inc. and Subsidiaries' internal control over financial reporting as of June 30, 2015, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated September 14, 2015 expressed an unqualified opinion on the effectiveness of Park City Group, Inc.'s internal control over financial reporting.

/s/ HJ & Associates, LLC
HJ & Associates, LLC
Salt Lake City, Utah
September 14, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Park City Group, Inc.
Salt Lake City, Utah

We have audited Park City Group, Inc. and Subsidiaries' internal control over financial reporting as of June 30, 2015, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Park City Group, Inc. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c)provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Park City Group, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of June 30, 2015, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Park City Group, Inc. and Subsidiaries and our report dated September 14, 2015 expressed an unqualified opinion.

/s/ HJ & Associates, LLC
HJ & Associates, LLC
Salt Lake City, Utah
September 14, 2015

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PARK CITY GROUP, INC.
Condensed Consolidated Balance Sheets

	June 30, 2015	June 30, 2014
Assets		
Current Assets:		
Cash and cash equivalents	$ 11,325,572	$ 3,352,559
Receivables, net of allowance of $94,000 and $70,000 at June 30, 2015 and 2014, respectively	1,640,591	2,857,983
Prepaid expense and other current assets	463,427	250,855
Total current assets	13,429,590	6,461,397
Property and equipment, net	764,442	740,753
Other assets:		
Deposits and other assets	14,866	14,866
Note receivable	-	2,996,664
Customer relationships	2,006,951	1,918,019
Goodwill	20,190,935	4,805,933
Total other assets	22,212,752	9,735,482
Total assets	$ 36,406,784	$ 16,937,632
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 817,119	$ 738,289
Accrued liabilities	2,521,111	1,801,355
Deferred revenue	2,331,920	1,840,811
Line of credit	2,500,000	1,200,000
Note payable	227,301	226,900
Total current liabilities	8,397,451	5,807,355
Long-term liabilities:		
Notes payable, less current portion	349,192	422,248
Other long-term liabilities	75,518	88,948
Total liabilities	8,822,161	6,318,551
Commitments and contingencies		
Stockholders' equity:		
Series B Preferred stock, $0.01 par value, 700,000 shares authorized; 625,375 and 411,927 shares issued and outstanding at June 30, 2015 and 2014, respectively	6,254	4,119
Series B-1 Preferred stock, $0.01 par value, 300,000 shares authorized; 74,200 and 0 shares issued and outstanding at June 30, 2015 and 2014, respectively	742	-
	188,759	169,280

Common stock, $0.01 par value, 50,000,000 shares authorized; 18,875,586 and 16,928,025 issued and outstanding at June 30, 2015 and 2014, respectively		
Additional paid-in capital	70,296,496	46,792,736
Accumulated deficit	(42,907,628)	(36,347,054)
Total stockholders' equity	27,584,623	10,619,081
Total liabilities and stockholders' equity	$ 36,406,784	$ 16,937,632

See accompanying notes to condensed consolidated financial statements.

PARK CITY GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations

	For the Years Ended June 30, 2015	2014	2013
Revenue	$ 13,648,715	$ 11,928,416	$ 11,318,574
Operating expenses:			
Cost of revenue and product support	5,256,251	5,087,973	4,490,438
Sales and marketing	5,941,349	4,741,574	3,054,361
General and administrative	4,279,641	3,812,265	2,474,169
Depreciation and amortization	768,165	879,329	901,407
Impairment of intangibles	1,495,703	-	-
Total operating expense	17,741,109	14,521,141	10,920,375
(Loss) income from operations	(4,092,394)	(2,592,725)	398,199
Other (expense) income:			
Interest income (expense), net	242,621	102,580	(140,712)
(Loss) income before income taxes	(3,849,773)	(2,490,145)	257,487
Provision for income taxes	-	-	-
Net (loss) income	(3,849,773)	(2,490,145)	257,487
Dividends on preferred stock	(568,821)	(617,891)	(911,580)
Restructuring of Series B Preferred	(2,141,980)	-	-
Net loss applicable to common shareholders	$ (6,560,574)	$ (3,108,036)	$ (654,093)
Weighted average shares, basic and diluted	17,375,000	16,710,000	13,246,000
Basic and diluted loss per share	$ (0.38)	$ (0.19)	$ (0.05)

See accompanying notes to condensed consolidated financial statements.

PARK CITY GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity (Deficit)

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	T
Balance, June 30, 2012	685,671	$ 6,857	411,927	$ 4,119	12,087,431	$ 120,874	$ 37,763,196	$ (32,584,925)	$ 5,
Conversion of Preferred stock	(733,605)	(7,336)	-	-	2,445,371	24,454	(17,118)	-	
Redemption of Preferred stock	(2,172)	(22)	-	-	-	-	(21,698)	-	
Stock issued for:									
Compensation	-	-	-		276,988	2,770	783,573	-	
Cash	-	-	-		1,288,096	12,881	4,306,780	-	4,
Dividends	50,106	501	-		-	-	500,559	-	
Preferred Dividends-Declared	-	-	-	-	-	-	-	(911,580)	(9
Exercise of Options/Warrants	-	-	-	-	30,644	306	(306)	-	
Net income	-	-	-	-	-	-	-	257,487	
Balance June 30, 2013	-	-	411,927	4,119	16,128,530	161,285	43,314,986	(33,239,018)	10,
Stock issued for:									
Compensation	-	-	-	-	312,364	3,124	1,089,574	-	1,
Cash	-	-	-	-	277,092	2,771	1,659,922	-	1,
Charitable Contribution	-	-	-	-	15,000	150	96,750	-	
Preferred Dividends-Declared	-	-	-	-	-	-	-	(617,891)	(
Exercise of Options/Warrants	-	-	-	-	195,039	1,950	631,504	-	
Net loss	-	-	-	-	-	-	-	(2,490,145)	(2,
Balance, June 30, 2014	-	$ -	411,927	$ 4,119	16,928,025	$ 169,280	$ 46,792,736	$ 36,347,054	10,

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PARK CITY GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity (Deficit)
(continued)

	Series B Preferred Stock		Series B-1 Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, June 30, 2014	411,927	$ 4,119	-	$ -	16,928,025	$ 169,280	$ 46,792,736	$ (36,347,054)	$ 10,619,
Series B Restructure	214,198	2,142	-	-	-	-	2,139,838	(2,141,980)	
Series B Redemption	(750)	(7)	-	-	-	-	(7,493)	-	(7,
Stock issued for:									
Accrued compensation	-	-	30,000	300	366,033	3,664	2,156,229	-	2,160,
Cash	-	-	-	-	693,090	6,931	7,802,664	-	7,809,
Charitable Contribution	-	-	-	-	15,000	150	157,800	-	157,
Preferred Dividends-PIK	-	-	44,200	442	-	-	441,560	-	442,
Acquisition	-	-	-	-	873,438	8,734	10,813,162	-	10,821,
Preferred Dividends-Declared								(568,821)	(568,
Net loss	-	-	-	-	-	-	-	(3,849,773)	(3,849,
Balance, June 30, 2015	625,375	$ 6,254	74,200	$ 742	18,875,586	$ 188,759	$ 70,296,496	$ (42,907,628)	$ 27,584,

See accompanying notes to condensed consolidated financial statements.

PARK CITY GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows

	For the Years Ended June 30,		
	2015	2014	2013
Cash Flows from Operating Activities:			
Net (loss) income	$ (3,849,773)	$ (2,490,145)	$ 257,487
Adjustments to reconcile net (loss) income to net cash used in by operating activities:			
Depreciation and amortization	768,165	879,329	901,407
Impairment of intangibles	1,495,703	-	-
Bad debt expense	186,780	186,740	144,617
Stock compensation expense	2,760,329	1,719,375	843,645
Stock issued for charity	157,950	96,900	-
Decrease (increase) in:			
Trade receivables	710,302	(661,357)	(1,859,987)
Prepaids and other assets	(501,957)	(20,747)	(226,552)
Increase (decrease) in:			
Accounts payable	(49,296)	84,634	102,809
Accrued liabilities	136,517	49,252	(8,357)
Deferred revenue	(107,123)	63,485	(304,133)
Net cash provided by (used in) operating activities	1,707,597	(92,534)	(149,064)
Cash Flows From Investing Activities:			
Payments received on notes receivable	300,000	-	-
Net cash received in acquisition	22,119	-	-
Purchase of property and equipment	(369,536)	(459,230)	(445,744)
Cash advanced on Note Receivable	(2,559,460)	(1,200,000)	-
Cash from sale of property & equipment	-	6,505	-
Net cash used in investing activities	(2,606,877)	(1,652,725)	(445,744)
Cash Flows From Financing Activities:			
Proceeds from issuance of stock	7,606,384	1,493,818	4,162,920
Net increase in lines of credit	1,300,000	-	-
Proceeds from employee stock plans	203,211	153,875	156,741
Proceeds from issuance of note payable	172,795	338,287	176,797
Proceeds from exercises of options and warrants	-	633,454	-
Preferred stock redemption	(7,500)	-	(21,720)
Dividends paid	(157,147)	(586,999)	(503,311)
Payments on notes payable and capital leases	(245,450)	(551,202)	(866,210)
Net cash provided by financing activities	8,872,293	1,481,233	3,105,217
Net increase (decrease) in cash and cash equivalents	7,973,013	(264,026)	2,510,409
Cash and cash equivalents at beginning of period	3,352,559	3,616,585	1,106,176

Cash and cash equivalents at end of period	$ 11,325,572	$ 3,352,559	$ 3,616,585
Supplemental Disclosure of Cash Flow Information			
Cash paid for income taxes	$ -	$ 6,634	$ -
Cash paid for interest	$ 80,534	$ 75,343	$ 142,491
Supplemental Disclosure of Non-Cash Investing and Financing Activities			
Preferred Stock to pay accrued liabilities	$ 300,000	$ -	$ -
Common Stock to pay accrued liabilities	$ 1,860,191	$ 1,107,698	$ 786,343
Dividends accrued on preferred stock	$ 568,821	$ 617,891	$ 911,580
Dividends paid with preferred stock	$ 442,002	$ -	$ 501,060
Conversion of accounts receivable into notes receivable	$ -	$ -	$ 1,622,863
Series B restructure	$ 2,141,980	$ -	$ -

See accompanying notes to condensed consolidated financial statements.

Supplemental Disclosure of Non-Cash Investing and Financing Activities, continued

On June 30, 2015, the Company purchased 100% of the outstanding common stock of ReposiTrak, Inc. The fair values of ReposiTrak's assets and liabilities at the date of acquisition and the consideration paid, net of cash acquired, are as follows:

Receivables	$	152,340
Prepaid expenses		17,500
Customer relationships		2,006,951
Goodwill		15,385,002
Accounts payable		(128,126)
Deferred revenue		(598,232)
Net assets acquired		16,835,435
Common stock issued		10,821,897
Receivables eliminated in consolidation		6,035,657
Cash received in acquisition	$	22,119

PARK CITY GROUP, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
June 30, 2015 and June 30, 2014

NOTE 1. DESCRIPTION OF BUSINESS AND ACQUISITION OF REPOSITRAK, INC.

Summary of Business

The Company is incorporated in the state of Nevada. The Company has three subsidiaries, PC Group, Inc. (formerly, Park City Group, Inc.), a Utah Corporation (98.76% owned), and Park City Group, Inc., (formerly, Prescient Applied Intelligence, Inc.), a Delaware Corporation (100% owned) and ReposiTrak, Inc., a Utah corporation (100% owned). All intercompany transactions and balances have been eliminated in consolidation.

The Company designs, develops, markets and supports proprietary software products. These products are designed for businesses having multiple locations to assist in the management of business operations on a daily basis and communicate results of operations in a timely manner. In addition, the Company has built a consulting practice for business improvement that centers on the Company's proprietary software products. The principal markets for the Company's products are multi-store retail and convenience store chains, branded food manufacturers, suppliers and distributors, and manufacturing companies, which have operations in North America, Europe, Asia and the Pacific Rim.

Acquisition of ReposiTrak, Inc.

On June 30, 2015, the Company consummated the acquisition of 100% of the outstanding capital stock of ReposiTrak, Inc. As a result of this acquisition, the Company gained control of ReposiTrak a 100% owned subsidiary of the Company. The accompanying audited consolidated financial statements of the Company as of and for the year ended June 30, 2015 contain the results of operations of ReposiTrak from June 30, 2015. We issued 873,438 shares of our common stock for this acquisition which expands the service we can offer to our customer base.

We have accounted for the acquisition as the purchase of a business. The assets acquired and the liabilities assumed of ReposiTrak have been recorded at their respective fair values. The excess of the purchase price over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill. Goodwill is attributed to buyer-specific value resulting from expected synergies, including long-term cost savings, as well as industry relationships which are not included in the fair values of assets. Goodwill will not be amortized.

The purchase price consisted of the 873,438 shares of Park City Group common stock. The fair value of the shares issued was $10,821,897 and was determined using the closing price of our common stock on June 30, 2015. The price paid to acquire ReposiTrak was $10,830,897, approximately $9,000 of which was for direct transaction costs associated with the issuance of equity. The net acquisition cost of $10,799,778 which excludes $31,119 of cash acquired from ReposiTrak were allocated based on their estimated fair value of the assets acquired and liabilities assumed, as follows:

Receivables	$ 152,340
Prepaid expenses	17,500
Customer relationships*	2,006,951
Goodwill*	15,385,002
Accounts payable	(128,126)
Deferred revenue	(598,232)
Net assets acquired	16,835,435

Common stock issued		10,821,897
Receivables eliminated in consolidation		6,035,657
Cash received in acquisition	$	22,119

* Customer relationship and goodwill are provisional estimates pending completion of a 3rd party valuation of the acquired enterprise. Due to the fact that the acquisition took place on the last day of the fiscal year there has not been adequate time for the analysis to be done.

Unaudited pro-forma results of operations for the twelve months ended June 30, 2015 and 2014, as though ReposiTrak had been acquired as of July 1, 2013, are as follows:

	Three Months Ended					
	Sep 30, 2014	Dec 31, 2014	Mar 31, 2015	Jun 30, 2015	Year Ended 2015	Year Ended 2014
Revenue	$ 2,826,813	$ 2,932,825	$ 2,870,646	$ 2,941,511	$ 11,571,795	$ 9,777,431
Loss from Operations	(1,046,986)	(1,290,524)	(1,302,437)	(3,222,538)	(6,862,485)	(5,232,552)
Net Loss	(1,049,834)	(1,317,510)	(1,317,858)	(3,241,545)	(6,926,747)	(5,303,773)
Net Loss Applicable to Common Shareholders	(1,204,307)	(1,471,983)	(3,595,537)	(3,365,721)	(9,637,548)	(5,921,664)
Basic and Diluted EPS	(0.07)	(0.08)	(0.20)	(0.18)	(0.53)	(0.34)

Recent Developments

Acquisition of ReposiTrak

During the year ended June 30, 2015, the Company entered into agreements with each of the stockholders of ReposiTrak, Inc. (“ReposiTrak”), including Leavitt Partners, LP and LP Special Asset 4, LLC, to acquire all of the outstanding capital stock of ReposiTrak (the “ReposiTrak Shares”) in exchange for shares of the Company’s common stock (the “ReposiTrak Acquisition”). On June 30, 2015, the Company completed the ReposiTrak Acquisition and issued an aggregate total of 873,438 shares of its common stock in exchange for the ReposiTrak Shares. Immediately following the completion of the ReposiTrak Acquisition, ReposiTrak became a wholly owned subsidiary of the Company.

Registered Direct Offering

On April 15, 2015, the Company offered and sold 572,500 shares of its common stock in a registered direct offering at a price of $12.50 per share. The Company received total net proceeds from the registered direct offering of approximately $6.7 million after deducting placement agent fees and other offering expenses.

Creation of Series B-1 Preferred

On March 31, 2015, the Company filed with the Nevada Secretary of State the Certificate of Designation of the Relative Rights, Powers and Preferences of the Series B-1 Preferred Stock (the “Series B-1 Certificate of Designation”) in order to designate 300,000 shares of the Company’s preferred stock as non-voting, non-convertible shares of Series B-1 Preferred Stock (“Series B-1 Preferred”). Each share of Series B-1 Preferred accrued dividends at a rate of 7% per annum if paid by the Company in cash, and 9% per annum if paid by the Company in additional shares of Series B-1 Preferred.

Series B Restructuring

On February 4, 2015, holders of the Company’s Series B Convertible Preferred Stock (“Series B Preferred”), consisting of the Company’s Chief Executive Officer, his spouse, and a director (the “Holders”), entered into a restructuring agreement (the “Restructuring Agreement”), pursuant to which the Holders consented to the filing of an amendment (the “Series B Amendment”) to the Certificate of Designation of the Relative Rights, Powers and Preference of the Series B Preferred (the “Series B Certificate of Designation”), pursuant to which (i) the rate at which the Series B Preferred accrues dividends was lowered to 7% per annum if paid by the Company in cash, or 9% if paid by the Company in PIK Shares (as defined below), (ii) the Company may now elect to pay accrued dividends on outstanding shares of

Series B Preferred in either cash or by the issuance of additional shares of Series B Preferred ("PIK Shares"), (iii) the conversion feature of the Series B Preferred was eliminated, and (iv) the number of shares of the Company's preferred stock designated as Series B Preferred was increased from 600,000 to 900,000 shares (the "Series B Restructuring"). In consideration for the Series B Restructuring, the Company proposed to issue to the Holders: (y) an aggregate of 214,198 additional shares of Series B Preferred, which shares had a stated value equal to the amount that, but for the Series B Restructuring, would have been paid to the Holders as dividends over the next five years ("Additional Shares"), and (z) five-year warrants to purchase an aggregate of 1,085,068 shares of common stock for $4.00 per share ("Series B Warrants"), an amount and per share purchase price equal to what the Holders would otherwise be entitled to receive upon conversion of their shares of Series B Preferred ("Warrant Shares").

The terms of the Series B Restructuring were amended on March 31, 2015 as follows: (i) the Series B Certificate of Designation was further amended (the "Second Series B Amendment") to (x) reduce the number of shares of the Company's preferred stock designated thereunder from 900,000 to 600,000, which number was subsequently increased to 700,000, (y) require that, should the Company pay dividends on the Series B Preferred in PIK Shares, shares Series B-1 Preferred will be issued, rather than shares of Series B Preferred, and (z) in the event any Holder elects to exercise a Series B Warrant, one share of Series B Preferred will be automatically converted into one share of Series B-1 Preferred for every 2.5 Warrant Shares received by such Holder; and (ii) the Restructuring Agreement was amended to substitute the Additional Shares for shares of Series B-1 Preferred. The Second Series B Amendment was filed with the Nevada Secretary of State on March 31, 2015.

Private Placement

On January 26, 2015, we accepted subscription agreements from certain accredited investors, including certain members of the Company's Board of Directors, to purchase an aggregate total of 95,302 shares of the Company's common stock for $9.48 per share, and five year warrants to purchase an aggregate total of 23,737 shares of common stock for $10.00 per share. The Company received gross proceeds of approximately $900,000 from this private placement.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The financial statements presented herein reflect the consolidated financial position of Park City Group, Inc. and subsidiaries, including ReposiTrak and Prescient. All inter-company transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that materially affect the amounts reported in the condensed consolidated financial statements. Actual results could differ from these estimates. The methods, estimates and judgments the Company uses in applying its most critical accounting policies have a significant impact on the results it reports in its financial statements. The Securities and Exchange Commission has defined the most critical accounting policies as those that are most important to the portrayal of the Company's financial condition and results, and require the Company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, the Company's most critical accounting policies include: income taxes, goodwill and other long-lived asset valuations, revenue recognition, stock-based compensation, and capitalization of software development costs.

Cash and Cash Equivalents

The Company considers all short-term instruments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk and Significant Customers

The Company maintains cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Financial instruments, which potentially subject the Company to concentration of credit risk, consist primarily of trade receivables. In the normal course of business, the Company provides credit terms to its customers. Accordingly, the Company performs ongoing credit evaluations of its customers and maintains allowances for possible losses which when realized have been within the range of management's expectations. The Company does not require collateral from its customers.

The Company's accounts receivable are derived from sales of products and services primarily to customers operating multi-location retail and grocery stores. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

During the years ended June 30, 2015, 2014 and 2013, the Company had one customer that accounted for greater than 10% of total revenue.

Receivables

Trade account and notes receivable are stated at the amount the Company expects to collect. Receivables are reviewed individually for collectability. If the financial condition of the Company’s customers were to deteriorate, adversely affecting their ability to make payments, allowances may be required. Interest income on current notes receivable is recognized on an accrual basis at a stated interest rate of 8%.

Allowance for Doubtful Accounts Receivable

The Company offers credit terms on the sale of the Company’s products to a significant majority of the Company’s customers and requires no collateral from these customers. The Company performs ongoing credit evaluations of customers’ financial condition and maintains an allowance for doubtful accounts receivable based upon the Company’s historical experience and a specific review of accounts receivable at the end of each period. As of June 30, 2015, 2014 and 2013, the allowance for doubtful accounts was $94,000, $70,000, and $190,000, respectively.

Depreciation and Amortization

Depreciation and amortization of property and equipment is computed using the straight line method based on the following estimated useful lives:

	Years
Furniture and fixtures	5-7
Computer Equipment	3
Equipment under capital leases	3
Leasehold improvements	See below

Leasehold improvements are amortized over the shorter of the remaining lease term or the estimated useful life of the improvements.

Amortization of intangible assets are computed using the straight line method based on the following estimated useful lives:

	Years
Customer relationships	10
Acquired developed software	5
Developed software	3