

PARK CITY GROUP INC
Form 10-Q
February 20, 2009

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

FORM 10-Q

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

For the quarterly period ended December 31, 2008.

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: 000-03718

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

Nevada
(State or other jurisdiction of incorporation or organization)

37-1454128
(IRS Employer Identification No.)

3160 Pinebrook Road; Park City, UT 84098
(Address of principal executive offices)

(435) 645-2000
(Registrant's telephone number)

Indicate by check market whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and 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 the definitions of "large-accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if smaller reporting

company)

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Indicate by checkmark if whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
[] Yes [X] No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of February 17, 2009
Common Stock, \$.01 par value	9,460,816

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Exhibit	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 31 302 of the Sarbanes-Oxley Act of 2002.	
Exhibit	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	

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PARK CITY GROUP, INC.
Consolidated Condensed Balance Sheets

Assets	December 31, 2008 (unaudited)	June 30, 2008
Current Assets:		
Cash and cash equivalents	\$ 397,474	\$ 865,563
Restricted cash	2,500,000	1,940,000
Receivables, net of allowance of \$52,000 and \$68,000 at December 31, 2008 and June 30, 2008	481,712	1,004,815
Unbilled receivables	19,583	116,362
Prepaid expenses and other current assets	78,092	56,438
Total current assets	3,476,861	3,983,178
Property and equipment, net	448,772	494,459
Other assets:		
Equity method investment	2,604,390	-
Deposits and other assets	194,551	47,667
Capitalized software costs, net	475,274	660,436
Total other assets	3,274,215	708,103
Total assets	\$ 7,199,848	\$ 5,185,740
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 586,295	\$ 427,582
Accrued liabilities	679,902	410,396
Deferred revenue	453,172	480,269
Current portion of capital lease obligations	152,279	143,532
Line of credit	700,000	-
Note payable - related party	2,199,000	-
Note payable	-	1,940,000
Total current liabilities	4,770,648	3,401,779
Long-term liabilities		
Line of credit	2,720,000	-
Capital lease obligations, less current portion	157,028	200,446
Total liabilities	7,647,676	3,602,225
Commitments and contingencies		
Stockholders' equity (deficit):		

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Preferred stock, \$0.01 par value, 30,000,000 shares authorized; 621,335 and 605,036 shares of Series A Convertible Preferred issued and outstanding at December 31, 2008 and June 30, 2008, respectively	6,213	6,050
Common stock, \$0.01 par value, 50,000,000 shares authorized; 9,434,903 and 9,217,539 issued and outstanding at December 31, 2008 and June 30, 2008, respectively	94,349	92,176
Additional paid-in capital	27,161,478	26,467,700
Subscriptions receivable	(352,500)	-
Accumulated deficit	(27,357,368)	(24,982,411)
Total stockholders' equity (deficit)	(447,828)	1,583,515
Total liabilities and stockholders' equity (deficit)	\$ 7,199,848	\$ 5,185,740

See accompanying notes to consolidated condensed financial statements.

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PARK CITY GROUP, INC.

Consolidated Condensed Statements of Operations (Unaudited)
For the Three and Six Months Ended December 31, 2008 and 2007

	Three Months ended December 31,		Six Months ended December 31,	
	2008	2007	2008	2007
Revenues:				
Subscriptions	\$ 79,166	\$ 34,027	\$ 137,270	\$ 119,944
Maintenance	299,686	381,702	588,318	760,508
Professional services and other revenue	65,650	78,768	210,952	205,240
Software licenses	9,560	-	47,800	263,069
Total revenues	454,062	494,497	984,340	1,348,761
Operating expenses:				
Cost of services and product support	455,222	581,296	1,035,766	1,161,150
Sales and marketing	232,532	582,545	533,004	1,001,846
General and administrative	508,601	582,530	923,842	1,204,069
Depreciation and amortization	137,678	122,574	273,241	234,543
Total operating expenses	1,334,033	1,868,945	2,765,853	3,601,608
Loss from operations	(879,971)	(1,374,448)	(1,781,513)	(2,252,847)
Other income (expense):				
Income from patent activities	-	-	-	200,000
Gain (loss) on equity method investment	34,409	-	(162,796)	-
Gain on disposal of assets	100	-	100	-
Interest (expense) income	(79,933)	13,379	(102,674)	37,054
Loss before income taxes	(925,395)	(1,361,069)	(2,046,883)	(2,015,793)
(Provision) benefit for income taxes	-	-	-	-
Net loss	(925,395)	(1,361,069)	(2,046,883)	(2,015,793)
Dividends on preferred stock	(239,678)	(74,634)	(328,074)	(157,126)
Net loss applicable to common shareholders	\$ (1,165,073)	\$ (1,435,703)	\$ (2,374,957)	\$ (2,172,919)
Weighted average shares, basic and diluted	9,435,000	9,155,000	9,390,000	9,088,000
Basic and diluted loss per share	\$ (0.12)	\$ (0.16)	\$ (0.25)	\$ (0.24)

See accompanying notes to consolidated condensed financial statements.

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PARK CITY GROUP, INC.

Consolidated Condensed Statements of Cash Flows (Unaudited)

For the Six Months Ended December 31,

	2008	2007
Cash flows from operating activities:		
Net loss	\$ (2,046,883)	\$ (2,015,793)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	273,241	234,543
Bad debt expense	(16,000)	82,042
Stock issued for services and expenses	27,023	40,000
Gain on sale of patent	-	(200,000)
Loss on equity method investment	162,796	-
Decrease (increase) in:		
Trade Receivables	539,103	(137,782)
Unbilled receivables	96,779	464,640
Prepays and other assets	(168,538)	(6,798)
(Decrease) increase in:		
Accounts payable	158,713	198,480
Accrued liabilities	104,422	86,145
Deferred revenue	(27,097)	(448,197)
Net cash used in operating activities	(896,441)	(1,702,720)
Cash Flows From Investing Activities:		
Purchase of equity method investment	(2,767,186)	-
Deposit of restricted cash into escrow	(2,500,000)	-
Proceeds from sale of patent	-	200,000
Purchase of property and equipment	(42,393)	(314,615)
Release of restricted cash	1,940,000	-
Capitalization of software costs	-	(76,001)
Net cash used in investing activities	(3,369,579)	(190,616)
Cash Flows From Financing Activities:		
Net increase in lines of credit	3,420,000	-
Offering costs associated with issuance of stock	-	(24,125)
Proceeds from issuance of stock	153,602	-
Receipt of subscription receivable	-	106,374
Proceeds from issuance of notes payable	2,199,000	-
Payments on notes payable and capital leases	(1,974,671)	(37,129)
Net cash provided by financing activities	3,797,931	45,120
Net decrease in cash	(468,089)	(1,848,216)

Cash and cash equivalents at beginning of period	865,563	3,273,424
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