

ASURE SOFTWARE INC
Form 10-Q
May 17, 2010

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 March 31, 2010

OR

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

Commission file number: 0-20008

ASURE SOFTWARE, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State of other jurisdiction of
incorporation or organization)

74-2415696
(I.R.S. Employer
Identification No.)

108 Wild Basin Road
Austin, Texas
(Address of Principal Executive Offices)

78746
(Zip Code)

(512) 437-2700
(Registrant's Telephone Number, including Area Code)

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

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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 or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer 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 May 14, 2010, the registrant had outstanding 3,084,522 shares of its Common Stock, \$0.01 par value.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ASURE SOFTWARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except per share data)
(Unaudited)

	March 31, 2010	December 31, 2009
ASSETS		
Current Assets:		
Cash and equivalents	\$1,991	\$ 2,263
Accounts receivable, net of allowance for doubtful accounts of \$58 and \$34 at March 31, 2010 and December 31, 2009, respectively	1,082	1,526
Inventory	24	49
Prepaid expenses and other current assets	213	213
Total Current Assets	3,310	4,051
Property and equipment, net	590	581
Intangible assets, net	3,429	3,623
Total Assets	\$7,329	\$ 8,255
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$795	\$ 1,039
Accrued compensation and benefits	47	79
Lease impairment and advance	322	562
Other accrued liabilities	452	411
Deferred revenue	1,587	1,744
Total Current Liabilities	3,203	3,835
Long-term deferred revenue	125	134
Long-term lease impairment and advance	174	196
Other long-term obligations	189	212
Total Liabilities	3,691	4,377
Stockholders' Equity:		
Preferred stock, \$.01 par value; 1,500 shares authorized; none issued or outstanding	—	—
Common stock, \$.01 par value; 6,500 shares authorized; 3,341 and 3,341 shares issued; 3,085 and 3,128 shares outstanding at March 31, 2010 and December 31, 2009, respectively	334	334
Treasury stock at cost, 256 and 213 shares at March 31, 2010 and December 31, 2009, respectively	(5,017)	(4,907)
Additional paid-in capital	270,940	270,925
Accumulated deficit	(262,592)	(262,404)
Accumulated other comprehensive loss	(27)	(70)
Total Stockholders' Equity	3,638	3,878

Total Liabilities and Stockholders' Equity	\$7,329	\$ 8,255
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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ASURE SOFTWARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share data)
(Unaudited)

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2010	2009
Revenues	\$ 2,460	\$ 2,510
Cost of Sales	(638)	(493)
Gross Margin	1,822	2,017
Operating Expenses:		
Selling, general and administrative	1,441	2,758
Research and development	342	523
Amortization of intangible assets	149	149
Total Operating Expenses	1,932	3,430
Loss From Operations	(110)	(1,413)
Other Income (Expenses):		
Interest income	1	24
Gain(loss) on sale of assets	-	30
Foreign currency translation (loss) gain	(43)	17
Interest expense and other	(21)	(16)
Total Other Income (Expense)	(63)	55
Loss From Operations, Before Tax	(173)	(1,358)
Provision for income taxes	(15)	(21)
Net Loss	\$ (188)	\$ (1,379)
Basic and diluted net loss per share	\$ (0.06)	\$ (0.44)
Shares used in computing basic and diluted net loss per share	3,095	3,111

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

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ASURE SOFTWARE, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Amounts in thousands, except per share data)
 (Unaudited)

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (188)	\$ (1,379)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	265	310
Amortization of leasehold advance and lease impairment	(262)	(75)
Provision for doubtful accounts	24	(12)
Share-based compensation	15	14
Loss on sale/disposal of assets	—	72
Changes in operating assets and liabilities:		
Accounts receivable	420	400
Inventory	25	60
Prepaid expenses and other current assets	-	(67)
Accounts payable	(244)	(162)
Accrued expenses and other long-term obligations	0	(14)
Deferred revenue	(166)	(170)
Net cash used in operating activities	(111)	(1,023)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net sales (purchases) of short-term investments	—	65
Net purchases of property and equipment	(77)	(65)
Net cash provided by (used in) investing activities	(77)	—
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital leases	(13)	—
Purchase of treasury stock	(110)	—
Net cash used in financing activities	(123)	—
Effect of translation exchange rates	39	(43)
Net decrease in cash and equivalents	(272)	(1066)
Cash and equivalents at beginning of period	2,263	9,235
Cash and equivalents at end of period	\$ 1,991	\$ 8,169

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

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ASURE SOFTWARE, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except per share data unless otherwise noted)

NOTE 1 – GENERAL AND BASIS OF FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and accordingly, do not include all information and footnotes required under U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, these interim financial statements contain all adjustments, consisting of normal, recurring adjustments, necessary for a fair presentation of the financial position of Asure Software, Inc. (“Asure” or the “Company”) as of March 31, 2010 and December 31, 2009, the results of operations for the three months ended March 31, 2010 and 2009, and the cash flows for the three months ended March 31, 2010 and March 31, 2009. These condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto filed with the Securities and Exchange Commission in the Company’s annual report on Form 10-K for the fiscal year ended July 31, 2009. The results for the interim periods are not necessarily indicative of results for a full fiscal year.

On November 24, 2009, the Board of Directors of the Company approved a change in the Company's fiscal year end from July 31 to December 31 of each year. This change to the calendar year reporting cycle began January 1, 2010. As a result of the change, the Company had a five month transition period from August 1, 2009 to December 31, 2009. The audited results for the five month period ended December 31, 2009 will be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

In addition, the results for the three month period ended March 31, 2010 are compared with the results of the three month period ended March 31, 2009, which has been recast due to the change in the Company's fiscal year end from July 31 to December 31.

Effective on December 28, 2009, we implemented a reverse stock split approved by Asure’s stockholders at the December 17, 2009 Annual Meeting. Pursuant to the reverse stock split, every ten shares of issued and outstanding common stock of Asure, \$.01 par value per share were automatically converted to one issued and outstanding share of common stock without any change in the par value of such shares. Historical share data presented in these consolidated financial statements and notes thereto have been restated to reflect this reverse stock split.

As of March 31, 2010, Asure’s principal source of liquidity consisted of \$2.0 million of current cash and cash equivalents as well as future cash generated from operations. Management is focused on growing its existing software operations and continuing to reduce expenses and thus plans to utilize its cash balances to expand its operations by making additional prudent investments as necessary. The Company believes that it has sufficient cash for its short and long term needs, including the \$1.5 million payment it is required to make in the second fiscal quarter as part of its lease amendment as described in Note 9. The lease amendment will save the Company approximately \$120 thousand in monthly cash payments beginning in April 2010.

There is no assurance that the Company will be able to grow its cash balances or limit its cash consumption and thus maintain sufficient cash balances, and it is possible that the Company’s future business demands may lead to cash utilization at levels greater than recently experienced. Management believes that the Company has sufficient capital and liquidity to fund and cultivate the growth of its current and future operations for the next 12 months and thereafter. However, due to uncertainties related to the timing and costs of these efforts, Asure may need to raise additional capital in the future. Yet, there is no assurance that the Company will be able to raise additional capital if and when it is needed.

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ASURE SOFTWARE, INC.
 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Amounts in thousands, except per share data unless otherwise noted)

NOTE 2 – INTANGIBLE ASSETS

Asure accounted for its historical acquisitions in accordance with FASB ASC 805, Business Combinations (FASB ASC 805). The Company recorded the amount exceeding the fair value of net assets acquired at the date of acquisition as goodwill. The Company recorded intangible assets apart from goodwill if the assets had contractual or other legal rights or if the assets could be separated and sold, transferred, licensed, rented or exchanged. Asure's goodwill and intangible assets relate to its acquisition of iSarla Inc. and the iEmployee operations.

In accordance with FASB ASC 350, Intangibles-Goodwill and Other (FASB ASC 350), Asure reviews and evaluates its long-lived assets, including intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. Based on Asure's impairment test, no impairment was identified for the Company's intangible assets for the year ended July 31, 2009 and there have been no circumstances during the eight months ended March 31, 2010 that require additional evaluation.

The gross carrying amount and accumulated amortization of the Company's intangible assets as of March 31, 2010 and December 31, 2009 are as follows:

Intangible Asset	Amortization Period (in Years)	Gross	March 31, 2010	
			Accumulated Amortization	Net
Developed Technology	5	\$ 915	\$ (455)	\$ 460
Customer Relationships	8	2,470	(768)	1,702
Ceridian Contract	8	1,545	(480)	1,065
Trade Names	5	288	(143)	145
Covenant not-to-compete	4	150	(93)	57
		\$ 5,368	\$ (1,939)	\$ 3,429

Intangible Asset	Amortization Period (in Years)	Gross	December 31, 2009	
			Accumulated Amortization	Net
Developed Technology	5	\$ 915	\$ (409)	\$ 506
Customer Relationships	8	2,470	(691)	1,779
Ceridian Contract	8	1,545	(432)	1,113
Trade Names	5			