

AMERICAN SOFTWARE INC  
Form 10-Q  
September 08, 2010  
Table of Contents

**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 July 31, 2010

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: 0-12456

**AMERICAN SOFTWARE, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: AMERICAN SOFTWARE INC - Form 10-Q

**Georgia**  
(State or other jurisdiction of  
incorporation or organization)

**58-1098795**  
(IRS Employer  
Identification Number)

**470 East Paces Ferry Road, N.E., Atlanta, Georgia**  
(Address of principal executive offices)

**30305**  
(Zip Code)

**(404) 261-4381**  
(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 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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

## Edgar Filing: AMERICAN SOFTWARE INC - Form 10-Q

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.

<b>Classes</b>	<b>Outstanding at September 6, 2010</b>
Class A Common Stock, \$.10 par value	22,941,347 Shares
Class B Common Stock, \$.10 par value	2,747,086 Shares

**Table of Contents**

AMERICAN SOFTWARE, INC. AND SUBSIDIARIES

Form 10-Q

Quarter ended July 31, 2010

Index

	<b>Page No.</b>
<b>Part I Financial Information</b>	
Item 1. Financial Statements (Unaudited)	
<u>Condensed Consolidated Balance Sheets July 31, 2010 and April 30, 2010</u>	3
<u>Condensed Consolidated Statements of Operations Three Months ended July 31, 2010 and 2009</u>	4
<u>Condensed Consolidated Statements of Cash Flows Three Months ended July 31, 2010 and 2009</u>	5
<u>Notes to Condensed Consolidated Financial Statements Unaudited</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	26
<u>Item 4. Controls and Procedures</u>	27
<b>Part II Other Information</b>	
<u>Item 1. Legal Proceedings</u>	28
<u>Item 1A. Risk Factors</u>	28
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
<u>Item 3. Defaults Upon Senior Securities</u>	28
<u>Item 4. Removed and Reserved</u>	28
<u>Item 5. Other Information</u>	28
<u>Item 6. Exhibits</u>	28

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****American Software, Inc. and Subsidiaries****Condensed Consolidated Balance Sheets (unaudited)**

(in thousands, except share data)

	July 31, 2010	April 30, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 21,768	\$ 21,730
Investments	14,935	16,300
Trade accounts receivable, less allowance for doubtful accounts of \$108 at July 31, 2010 and \$187 at April 30, 2010:		
Billed	9,137	8,721
Unbilled	2,646	2,419
Prepaid expenses and other current assets	2,365	3,373
<b>Total current assets</b>	<b>50,851</b>	<b>52,543</b>
Investments Noncurrent	16,163	15,849
Property and equipment, net of accumulated depreciation of \$26,505 at July 31, 2010 and \$26,198 at April 30, 2010	6,444	6,490
Capitalized software, net of accumulated amortization of \$7,437 at July 31, 2010 and \$7,431 at April 30, 2010	7,515	6,890
Goodwill	12,601	12,601
Other intangibles, net of accumulated amortization of \$2,986 at July 31, 2010 and \$2,742 at April 30, 2010	2,432	2,677
Other assets	107	125
<b>Total assets</b>	<b>\$ 96,113</b>	<b>\$ 97,175</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,198	\$ 986
Accrued compensation and related costs	1,556	2,949
Dividends payable	2,296	2,284
Other current liabilities	3,387	1,986
Deferred income taxes	63	63
Deferred revenue	14,412	15,147
<b>Total current liabilities</b>	<b>22,912</b>	<b>23,415</b>
Deferred income taxes	1,073	1,480
<b>Total liabilities</b>	<b>23,985</b>	<b>24,895</b>
Shareholders' equity:		
Common stock:		
Class A, \$.10 par value. Authorized 50,000,000 shares: Issued 27,113,742 shares at July 31, 2010 and 26,867,314 shares at April 30, 2010	2,711	2,687
Class B, \$.10 par value. Authorized 10,000,000 shares: Issued and outstanding 2,747,086 shares at July 31, 2010 and 2,777,086 shares at April 30, 2010; convertible into Class A shares on a one-for-one basis	275	278
Additional paid-in capital	85,393	84,256

## Edgar Filing: AMERICAN SOFTWARE INC - Form 10-Q

Retained earnings	7,268	8,209
Class A treasury stock, 4,348,663 shares at July 31, 2010 and 4,270,688 shares at April 30, 2010	(23,519)	(23,150)
Total shareholders' equity	72,128	72,280
Commitments and contingencies		
Total liabilities and shareholders' equity	\$ 96,113	\$ 97,175

See accompanying notes to condensed consolidated financial statements unaudited.

**Table of Contents****American Software, Inc. and Subsidiaries****Condensed Consolidated Statements of Operations (unaudited)****(in thousands, except earnings per share data)**

	<b>Three Months Ended July 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Revenues:</b>		
License	\$ 2,794	\$ 4,144
Services and other	9,231	6,873
Maintenance	7,069	6,817
<b>Total revenues</b>	<b>19,094</b>	<b>17,834</b>
<b>Cost of revenues:</b>		
License	693	856
Services and other	6,551	4,624
Maintenance	1,656	1,711
<b>Total cost of revenues</b>	<b>8,900</b>	<b>7,191</b>
<b>Gross margin</b>	<b>10,194</b>	<b>10,643</b>
Research and development	1,777	1,670
Sales and marketing	3,317	3,700
General and administrative	2,842	4,051
Amortization of acquisition-related intangibles	214	88
Provision for (recovery of) doubtful accounts	28	(320)
<b>Total operating expenses</b>	<b>8,178</b>	<b>9,189</b>
<b>Operating income</b>	<b>2,016</b>	<b>1,454</b>
<b>Other income (expense):</b>		
Interest income	366	409
Other, net	(125)	209
<b>Earnings before income taxes</b>	<b>2,257</b>	<b>2,072</b>
<b>Income tax expense</b>	<b>(884)</b>	<b>(801)</b>
<b>Net earnings</b>	<b>\$ 1,373</b>	<b>\$ 1,271</b>
<b>Less net earnings attributable to noncontrolling interests</b>		<b>(90)</b>
<b>Net earnings attributable to American Software, Inc.</b>	<b>\$ 1,373</b>	<b>\$ 1,181</b>
<b>Earnings per common share attributable to American Software, Inc.<sup>(a)</sup> :</b>		
Basic	\$ 0.05	\$ 0.05
Diluted	\$ 0.05	\$ 0.05

## Edgar Filing: AMERICAN SOFTWARE INC - Form 10-Q

Cash dividends declared per common share	\$ 0.09	\$ 0.09
<b>Shares used in the calculation of earnings per common share attributable to American Software, Inc.:</b>		
Basic	25,540	25,302
Diluted	25,926	25,741

- (a) Basic per share amounts are the same for Class A and Class B shares. Diluted per share amounts for Class A shares are shown above. Diluted earnings per share for Class B shares under the two-class method are \$0.05 and \$0.05 for the periods ended July 31, 2010 and 2009, respectively. See Note G to the Condensed Consolidated Financial Statements.

See accompanying notes to condensed consolidated financial statements unaudited.



**Table of Contents****American Software, Inc. and Subsidiaries****Condensed Consolidated Statements of Cash Flows (unaudited)**

(in thousands)

	<b>Three Months Ended July 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities:</b>		
Net earnings attributable to American Software, Inc.	\$ 1,373	\$ 1,181
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:		
Depreciation and amortization	559	563
Stock-based compensation expense	230	413
Bond amortization	83	183
Tax benefit of stock options exercised	77	378
Excess tax benefits from stock-based compensation		(119)
Net loss/(gain) on investments	163	(217)
Net earnings attributable to noncontrolling interest		90
Deferred income taxes	(407)	(34)
Changes in operating assets and liabilities:		
Purchases of trading securities	(4,771)	(3,639)
Proceeds from sale of trading securities	110	2,918
Proceeds from maturities of trading securities	1,151	
Accounts receivable, net	(643)	17
Prepaid expenses and other assets	1,008	441
Accounts payable and other liabilities	220	(444)
Deferred revenue	(735)	(450)
<b>Net cash (used in) provided by operating activities</b>	<b>(1,582)</b>	<b>1,281</b>
<b>Cash flows from investing activities:</b>		
Capitalized computer software development costs	(631)	(559)
Purchases of property and equipment, net of disposals	(262)	(220)
Proceeds from maturities of investments	4,333	3,677
Proceeds from exercise of stock options of subsidiary		29
<b>Net cash provided by investing activities</b>	<b>3,440</b>	<b>2,927</b>
<b>Cash flows from financing activities:</b>		
Repurchase of common stock	(369)	
Excess tax benefits from stock based compensation		119
Proceeds from exercise of stock options	852	37
Dividends paid	(2,303)	(2,277)
Repurchase of noncontrolling interest		(9,235)
<b>Net cash used in financing activities</b>	<b>(1,820)</b>	<b>(11,356)</b>
<b>Net change in cash and cash equivalents</b>	<b>38</b>	<b>(7,148)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>21,730</b>	<b>37,629</b>