PARK CITY GROUP INC
Form 10QSB/A
January 08, 2007

FORM 10-QSB/A

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Quarterly Report Under Section 13 or 15(d) of the

Securities Exchange Act of 1934

For the Quarterly Period Ended September 30, 2006

Commission File Number 000-03718

PARK CITY GROUP, INC.

(Exact name of small business issuer as specified in its charter)

Nevada	37-1454128
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

333 Main Street, P.O. Box 5000; Park City, Utah 84060

(Address of principal executive offices)

(435) 649-2221

(Registrant's telephone number)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 o No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes [X] 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 as of January 4, 2007
Common Stock, $.01 par value	**8,930,766** **663 shareholders**

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PARK CITY GROUP, INC.

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PARK CITY GROUP, INC.

Consolidated Condensed Balance Sheets

	September 30, 2006	June 30, 2006
Asset		
Current Assets:		
Cash and cash equivalents	$ 2,611,486	$ 3,517,060
Receivables, net of allowance $138,716 and $126,324 at September 30, 2006 and June 30, 2006, respectively	113,643	103,190
Unbilled receivables	249,905	237,641
Prepaid expenses and other current assets	199,474	173,687
Total current assets	3,174,508	4,031,578
Property and equipment, net	84,220	84,741
Other assets:		
Deposits and other assets	27,997	29,958
Capitalized software costs, net	737,982	680,187
Total other assets	765,979	710,145
Total assets	$ 4,024,707	$ 4,826,464
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 218,446	$ 112,136
Accrued liabilities	179,271	230,062
Deferred revenue	413,358	648,686
Derivative liability	433,363	489,624
Current portion of capital lease obligations	14,193	16,774
Total current liabilities	1,258,631	1,497,282
Long-term liabilities		
Long-term note payable, net of discount of $80,025 at September 30, 2006 and $97,404 at June 30, 2006, respectively	1,859,975	1,842,596
Capital lease obligations, less current portion	1,714	4,948
Total long-term liabilities	1,861,689	1,847,544
Total liabilities	3,120,320	3,344,826
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value, 30,000,000 shares authorized, none issued	-	-
Common stock, $0.01 par value, 50,000,000 shares authorized; 8,930,766 and 8,931,234 issued and outstanding at September 30, 2006 and June 30, 2006, respectively	89,308	89,312
Additional paid-in capital	20,531,750	20,564,933
Accumulated deficit	(19,716,671)	(19,172,607)

	September 30, 2006	June 30, 2006
Total stockholders' equity	904,387	1,481,638
Total liabilities and stockholders' equity	$ 4,024,707	$ 4,826,464

See accompanying notes to consolidated condensed financial statements.

PARK CITY GROUP, INC.

Consolidated Condensed Statements of Operations (Unaudited)

For the Three Months Ended September 30,

	2006	2005
Revenues:		
Software licenses	$ -	$ 2,630,453
Maintenance and support	448,203	608,446
Application service provider	21,250	48,900
Consulting and other	116,442	411,066
	585,895	3,698,865
Cost of revenues	359,730	404,651
Gross margin	226,165	3,294,214
Operating expenses:		
Research and development	84,442	235,909
Sales and marketing	259,115	283,200
General and administrative	457,207	313,155
Total operating expenses	800,764	832,264
(Loss) income from operations	(574,599)	2,461,950
Other income (expense):		
Gain on derivative liability	56,261	-
Interest expense	(25,726)	(297,135)
(Loss) income before income taxes	(544,064)	2,164,815
(Provision) benefit for income taxes	-	-
Net (loss) income	$ (544,064)	$ 2,164,815
Weighted average shares, basic	8,931,000	5,657,000
Weighted average shares, diluted	8,931,000	5,680,000
Basic (loss) income per share	$ (0.06)	$ 0.38
Diluted (loss) income per share	$ (0.06)	$ 0.38

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 Three Months Ended September 30,

	2006	**2005**
Cash flows from operating activities:		
Net (loss) income	$ (544,064)	$ 2,164,815
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation and amortization	82,508	83,571
Gain from derivative liability	(56,261)	-
Amortization of discounts on debt	17,379	73,887
Bad debt expense	12,392	(3,000)
Stock issued for services and expenses	-	21,499
(Increase) decrease in:		
Trade Receivables	(22,845)	(194,521)
Unbilled receivables	(12,264)	-
Prepaids and other assets	(23,826)	(87,136)
(Decrease) increase in:		
Accounts payable	106,310	(454,484)
Accrued liabilities	(50,791)	(127,345)
Deferred revenue	(235,328)	626,089
Accrued interest, related party	-	138,844
Net cash (used in) provided by operating activities	(726,790)	2,242,219
Cash Flows From Investing Activities:		
Purchase of property and equipment	(15,518)	(3,046)
Capitalization of software costs	(124,264)	-
Net cash used in investing activities	(139,782)	(3,046)
Cash Flows From Financing Activities:		
Net decrease in line of credit-related party	-	(283,556)
Offering costs associated with issuance of stock	(33,187)	-
Payments on notes payable and capital leases	(5,815)	(2,005,845)
Net cash used in financing activities	(39,002)	(2,289,401)
Net decrease in cash	(905,574)	(50,228)
Cash at beginning of period	3,517,060	209,670
Cash at end of period	$ 2,611,486	$ 159,442
Supplemental Disclosure of Cash Flow Information:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ 44,400	$ 88,141

See accompanying notes to consolidated condensed financial statements.

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PARK CITY GROUP, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

September 30, 2006

NOTE 1 ORGANIZATION AND DESCRIPTION OF BUSINESS

Park City Group, Inc. (the Company) is incorporated in the state of Nevada, and the Company s 98.76% owned subsidiary Park City Group, Inc. is incorporated in the state of Delaware. All inter-company transactions and balances have been eliminated in consolidation.

The Company designs, develops, markets and supports proprietary software products. These products are designed to be used in retail 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 around the companies proprietary software products. The principal markets for the Company's products are retail companies, financial services, branded food manufacturers and display manufacturing companies which have operations in North

America and, to a lesser extent, in Europe and Asia.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) on a basis consistent with the Company s audited annual financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial information set forth therein. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to SEC rules and regulations, although the Company believes that the following disclosures, when read in conjunction with the audited annual financial statements and the notes thereto included in the Company s most recent annual report on Form 10-KSB, are adequate to make the information presented not misleading. Operating results for the three months ended September 30, 2006 are not necessarily indicative of the operating results that may be expected for the year ending June 30, 2007.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates. The Company s critical accounting policies and estimates include, among others, valuation allowances against deferred income tax assets, impairment and useful lives of long-lived assets, revenue recognition and stock-based compensation.

Net Income (Loss) Per Common Share

Basic net income (loss) per common share ("Basic EPS") excludes dilution and is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per common share ("Diluted EPS") reflects the potential dilution that could occur if stock options or other contracts to issue common stock were exercised or converted into common stock. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an anti-dilutive effect on net income (loss) per common share.

For the three months ended September 30, 2006 and 2005 options and warrants to purchase 988,813 and 321,059 shares of common stock were not included in the computation of diluted EPS due either to the dilutive effect from a net loss or a strike price in excess of market price. Using the treasury stock method 22,765 shares were assumed repurchased and added to the shares outstanding for the computation of diluted EPS for the three months ended September 30, 2005.

Reverse Stock Split

On August 11, 2006, the Company effected a 1-for-50 reverse stock split. All references to the equity of the Company in this document reflect the effects of this action.

Off-Balance Sheet Arrangements

Off-balance sheet arrangements, as defined by the SEC, include certain transactions, agreements, or other contractual arrangements pursuant to which a company has any obligation under certain guarantee contracts, certain retained or contingent interests in assets transferred to an unconsolidated entity, any obligation under certain derivative investments, or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support or engages in leasing, hedging or research and development services with us. Currently the company has no Off Balance Sheet Arrangements.

NOTE 3 - LIQUIDITY

As shown in the consolidated condensed financial statements, the Company had a loss of $544,064 for the three months ending September 30, 2006 and produced income of $2,164,815 for the same quarter in 2005. The difference is due to a large non-recurring sale in 2005. Current assets were in excess of current liabilities at September 30, 2006, giving the Company working capital of $1,915,877. The Company had negative cash flow from operations during the three months ended September 30, 2006.

The Company believes that current working capital and cash flows from sales will allow the Company to fund its currently anticipated capital spending and debt service requirements during the year ended June 30, 2007. The financial statements do not reflect any adjustments should the Company s operations not be achieved.

NOTE 4 - STOCK-BASED COMPENSATION

Prior to July 1, 2006, as permitted under Statement of Financial Accounting Standards (SFAS) No. 123, the Company accounted for its stock options, warrants and plans following the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock issued to Employees, and related interpretations. Accordingly, no stock-based compensation expense had been reflected in the Company s statements of operations as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant and the related number of shares granted was fixed at that point in time.

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123(R), Share Based Payment. This statement revised SFAS No. 123 by eliminating the option to account for employee stock options under APB No. 25 and requires companies to recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards.

Effective July 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123(R) using the modified prospective application method. Under this transition method, the Company recorded compensation expense on a straight-line basis for the three months ended September, 2006, for: (a) the vesting of options granted prior to July 1, 2006 (based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, and previously presented in the pro-forma footnote disclosures), and (b) stock-based awards granted subsequent to July 1, 2006 (based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R)). In accordance with the modified prospective application method, results for the three months ended September 30, 2005 have not been restated.

The following pro-forma information, as required by SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123, is presented for comparative purposes and illustrates the effect on net income (loss) and net income (loss) per common share for the three months ended September 31, 2005 as if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation prior to July 1, 2006:

	Three Months ended September 30, 2005
Net Income available to common shareholders, as reported	$ 2,164,815
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	-

Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects.	(14,325)
Net income pro forma	$ 2,150,490
Income per share:	
Basic as reported	$ 0.38
Diluted as reported	$ 0.38
Basic pro forma	$ 0.38
Diluted pro forma	$ 0.38

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Park City Group has employment agreements with executives. One provision of these agreements is for a stock bonus. 25% of these bonuses are to be paid on each of their first four anniversary dates.

Agreement with Vice President, dated effective December 28, 2005 is payable in 3,571 share increments for a total of 14,284 shares.

Agreement with Director of Marketing, dated effective January 1, 2006 is payable in 3,571 share increments for a total of 14,284 shares.