

ASURE SOFTWARE INC  
Form 10-Q  
May 13, 2011

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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, 2011

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.)

110 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

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

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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 10, 2011, the registrant had outstanding 3,084,521 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, 2011	December 31, 2010
<b>ASSETS</b>		
Current Assets:		
Cash and equivalents	\$ 1,375	\$ 1,070
Accounts receivable, net of allowance for doubtful accounts of \$47 and \$46 at March 31, 2011 and December 31, 2010 respectively	1,031	1,239
Notes receivable	63	62
Inventory	23	25
Prepaid expenses and other current assets	257	255
<b>Total Current Assets</b>	<b>2,749</b>	<b>2,651</b>
Notes receivable	60	60
Property and equipment, net	246	281
Intangible assets, net	2,649	2,844
<b>Total Assets</b>	<b>\$ 5,704</b>	<b>\$ 5,836</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 466	\$ 560
Accrued compensation and benefits	28	95
Other accrued liabilities	356	361
Deferred revenue	2,046	1,955
<b>Total Current Liabilities</b>	<b>2,896</b>	<b>2,971</b>
Long-term deferred revenue	103	116
Other long-term obligations	14	25
<b>Total Liabilities</b>	<b>3,013</b>	<b>3,112</b>
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, 2011 and December 31, 2010, respectively	334	334
Treasury stock at cost, 256 shares at March 31, 2011 and December 31, 2010	(5,017)	(5,017)
Additional paid-in capital	270,992	270,978
Accumulated deficit	(263,601)	(263,541)
Accumulated other comprehensive loss	(17)	(30)

Total Stockholders' Equity		2,691		2,724
Total Liabilities and Stockholders' Equity	\$	5,704	\$	5,836

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,	
	2011	2010
Revenues	\$ 2,357	\$ 2,460
Cost of Sales	(440)	(638)
Gross Margin	1,917	1,822
Operating Expenses:		
Selling, general and administrative	1,401	1,441
Research and development	391	342
Amortization of intangible assets	149	149
Total Operating Expenses	1,941	1,932
Loss From Operations	(24)	(110)
Other Income (Expenses):		
Interest income	2	1
Foreign currency translation loss	(21)	(43)
Interest expense and other	(8)	(21)
Total Other Expense	(27)	(63)
Loss From Operations Before Income Taxes	(51)	(173)
Income Tax Expense	(9)	(15)
Net Loss	\$ (60)	\$ (188)
Basic And Diluted Loss Per Share	\$ (0.02)	\$ (0.06)
Shares Used In Computing Basic And Diluted Loss Per Share	3,085	3,095

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,	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (60)	\$ (188)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	238	265
Amortization of leasehold advance and lease impairment	-	(262)
Provision for doubtful accounts	2	24
Share-based compensation	14	15
Note receivable	(1)	-
Changes in operating assets and liabilities:		
Accounts receivable	206	420
Inventory	2	25
Prepaid expenses and other current assets	(2)	-
Accounts payable	(94)	(244)
Accrued expenses and other long-term obligations	(71)	-
Deferred revenue	78	(166)
Net cash provided by / (used) in operating activities	312	(111)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net purchases of property and equipment	(8)	(77)
Net cash used in investing activities	(8)	(77)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on capital leases	(12)	(13)
Purchase of treasury stock	-	(110)
Net cash used in financing activities	(12)	(123)
Effect of translation exchange rates	13	39
Net increase / (decrease) in cash and equivalents	305	(272)
Cash and equivalents at beginning of period	1,070	2,263
Cash and equivalents at end of period	\$ 1,375	\$ 1,991

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, 2011 and December 31, 2010, the results of operations for the three months ended March 31, 2011 and 2010, and the cash flows for the three months ended March 31, 2011 and 2010. 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 December 31, 2010. The results for the interim periods are not necessarily indicative of results for a full fiscal year.

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, 2011, Asure’s principal source of liquidity consisted of \$1,375 of current cash and cash equivalents as well as future cash generated from operations. The increase of cash and cash equivalents of \$305 for the three months ended March 31, 2011 is due primarily to cash generated from operations. The Company believes that it has and/or will generate sufficient cash for its short and long term needs. The Company is continuing to reduce expenses and thus may utilize its cash balances in the short-term to reduce long-term costs. The Company expects that it will be able to generate positive cash flows from operating activities for the remainder of 2011.

Management is focused on growing its existing software operations and looking to make strategic acquisitions in the near future. In the short-term, any acquisitions will be funded with equity, cash on the balance sheet, cash from operations, or cash or debt raised from outside sources.

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, ASURE reviews and evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, including those noted above, the Company compares the assets' carrying amounts against the estimated undiscounted cash flows to be generated by those assets over their estimated useful lives. If the carrying amounts are greater than the undiscounted cash flows, the fair values of those assets are estimated by discounting the projected cash flows. Any excess of the carrying amounts over the fair values are recorded as impairments in that fiscal period.

On May 3, 2010, the Company and Ceridian Corporation ("Ceridian"), a reseller of the Company's iEmployee products, entered into an agreement by which joint customers of the Company and Ceridian were given until July 31, 2010 to choose either to (i) contract directly with the Company to continue using our goods and services, or (ii) continue using Ceridian's offerings that may not include the Company's products and services. Depending on the number of customers that contracted with ASURE and the related pricing, the cash flows associated with the Ceridian customers may vary from historical levels. Thus the Company tested the Ceridian contract intangible asset for impairment in accordance with FASB ASC 350. The Company compared the asset's carrying amount against the estimated undiscounted cash flows to be generated from the customers that contracted with ASURE over the estimated useful life of the intangible asset. The undiscounted cash flows from the intangible asset exceeded the carrying value of the intangible asset and thus no impairment was required.

The gross carrying amount and accumulated amortization of the Company's intangible assets as of March 31, 2011 and December 31, 2010 are as follows:

Intangible Asset	Amortization Period (Years)	Gross	March 31, 2011	
			Accumulated Amortization	Net
Developed Technology	5	\$ 915	\$ (638)	\$ 277
Customer Relationships	8	4,015	(1,749)	2,266
Trade Names	5	288	(201)	87
Covenant not-to-compete	4	150	(131)	19
		\$ 5,368	\$ (2,719)	\$ 2,649
			December 31, 2010	
			Accumulated	

Intangible Asset