

CREATIVE COMPUTER APPLICATIONS INC
Form 10QSB
August 15, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-QSB

(Mark One)

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2005.

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF
THE EXCHANGE ACT**

For the transition period from _____ to _____

Commission file number 0-12551

CREATIVE COMPUTER APPLICATIONS, INC.

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

California
(State or other jurisdiction of
incorporation or organization)

95-3353465
(I.R.S. Employer
Identification No.)

26115-A Mureau Road, Calabasas, California 91302
(Address of principal executive offices)

(818) 880-6700
(Issuer's telephone number, including area code):

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 3,483,900 common shares as of August 10, 2005.

Transitional Small Business Disclosure Format (check one):

Yes No

CREATIVE COMPUTER APPLICATIONS, INC.

FORM 10-QSB

INDEX

PART I - Financial Information:

Item 1. Financial Statements (unaudited)

Condensed Consolidated Balance Sheets, as at June 30, 2005 and December 31, 2004

Condensed Consolidated Statements of Operations for the three months ended June 30, 2005 and June 30, 2004

Condensed Consolidated Statements of Operations for the six months ended June 30, 2005 and June 30, 2004

Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2005 and June 30, 2004

Notes to Condensed Consolidated Financial Statements

Item 2. Management's Discussion and Analysis or Plan of Operation

Item 3. Controls and Procedures

PART II - Other Information:

Item 6. Exhibits

Signatures

Exhibit Index

CREATIVE COMPUTER APPLICATIONS, INC.

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS

Edgar Filing: CREATIVE COMPUTER APPLICATIONS INC - Form 10QSB

	June 30, 2005 (Unaudited)	December 31, 2004 (Unaudited)
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 1,354,505	\$ 1,655,063
Receivables, net	710,560	1,736,768
Inventory	104,101	86,298
Prepaid expenses and other assets	314,806	256,289
Deferred tax asset	539,420	539,420
TOTAL CURRENT ASSETS	3,023,392	4,273,838
PROPERTY AND EQUIPMENT, net	447,503	345,004
INVENTORY OF COMPONENT PARTS	209,135	186,599
CAPITALIZED SOFTWARE COSTS, net of accumulated amortization of \$1,056,657 and \$878,021	1,693,358	1,531,573
DEFERRED MERGER COSTS	199,790	
DEFERRED TAX ASSET	254,457	254,457
	\$ 5,827,635	\$ 6,591,471
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Notes payable to bank (Note 4)	200,000	300,000
Accounts payable	309,419	377,768
Accrued liabilities:		
Vacation pay	247,371	243,060
Accrued payroll	104,491	128,227
Other	183,748	173,808
Deferred service contract income	838,747	1,235,032
Deferred revenue on system sales	369,896	226,111
TOTAL CURRENT LIABILITIES	2,253,672	2,684,006
SHAREHOLDERS EQUITY:		
Common shares, no par value; 20,000,000 shares authorized; 3,409,900 and 3,321,900 shares issued and outstanding	6,287,692	6,195,692
Accumulated deficit	(2,713,729)	(2,288,227)
TOTAL SHAREHOLDERS EQUITY	3,573,963	3,907,465
	\$ 5,827,635	\$ 6,591,471

See Notes to Condensed Consolidated Financial Statements.

CREATIVE COMPUTER APPLICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,	
	2005	2004
	(Unaudited)	
NET SYSTEM SALES AND SERVICE REVENUE:		
System sales	\$ 296,600	\$ 723,087
Service revenue	1,259,407	1,071,907
	1,556,007	1,794,994
COSTS OF PRODUCTS AND SERVICES SOLD:		
System sales	371,218	530,905
Service revenue	409,831	398,777
	781,049	929,682
Gross profit	774,958	865,312
OPERATING EXPENSES		
Selling, general and administrative	771,245	596,678
Research and development	244,097	258,534
Total operating expenses	1,015,342	855,212
Operating income (loss)	(240,384)	10,100
INTEREST AND OTHER INCOME	4,415	584
INTEREST EXPENSE	(2,569)	(570)
Income (Loss) before provision for income taxes	(238,538)	10,114
PROVISION FOR INCOME TAXES		
NET INCOME (LOSS)	\$ (238,538)	\$ 10,114
EARNINGS (LOSS) PER SHARE (Note 3):		
Basic	\$ (.07)	\$.00
Diluted	(.07)	.00
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:		
Basic	3,383,233	3,318,900
Diluted	3,383,233	3,418,109

See Notes to Condensed Consolidated Financial Statements.

CREATIVE COMPUTER APPLICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Six Months Ended June 30,	
	2005	2004
	(Unaudited)	
NET SYSTEM SALES AND SERVICE REVENUE:		
System sales	\$ 883,707	\$ 1,617,851
Service revenue	2,497,588	2,135,843
	3,381,295	3,753,694
COSTS OF PRODUCTS AND SERVICES SOLD:		
System sales	824,568	976,539
Service revenue	824,693	806,563
	1,649,261	1,783,102
Gross profit	1,732,034	1,970,592
OPERATING EXPENSES		
Selling, general and administrative	1,599,977	1,319,074
Research and development	558,940	514,880
Total operating expenses	2,158,917	1,833,954
Operating income (loss)	(426,883)	136,638
INTEREST AND OTHER INCOME	9,142	1,858
INTEREST EXPENSE	(7,761)	(1,685)
Income (Loss) before provision for income taxes	(425,502)	136,811
PROVISION FOR INCOME TAXES		
NET INCOME (LOSS)	\$ (425,502)	\$ 136,811
EARNINGS (LOSS) PER SHARE (Note 3):		
Basic	\$ (.13)	\$.04
Diluted	(.13)	.04
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:		
Basic	3,368,567	3,318,900
Diluted	3,368,567	3,423,240

See Notes to Condensed Consolidated Financial Statements.

CREATIVE COMPUTER APPLICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash

	Six Months Ended June 30,	
	2005	2004
	(Unaudited)	
OPERATING ACTIVITIES		
Net Income (loss)	\$ (425,502)	\$ 136,811
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	67,260	54,959
Provision for doubtful accounts	21,528	
Amortization of capitalized software costs	178,636	220,080
Increase (decrease) from changes in:		
Receivables	1,004,680	(253,517)
Inventories	(40,339)	4,692
Prepaid expenses and other assets	(58,517)	(47,210)
Accounts payable	(68,349)	75,044
Accrued liabilities	(9,485)	59,816
Deferred service contract income	(396,285)	80,581
Deferred revenue on system sales	143,785	487,909
Net cash provided by operating activities	417,412	819,165
INVESTING ACTIVITIES		
Additions to property and equipment	(169,759)	(46,701)
Additions to capitalized acquisition costs	(199,790)	
Additions to capitalized software costs	(340,421)	(280,624)
Net cash used in investing activities	(709,970)	(327,325)
FINANCING ACTIVITIES		
Payments on notes payable	(100,000)	
Exercise of stock options	92,000	
Net cash used in financing activities	(8,000)	
NET INCREASE (DECREASE) IN CASH	(300,558)	491,840
CASH, beginning of period	1,655,063	889,521
CASH, end of period	\$ 1,354,505	\$ 1,381,361

See notes to Condensed Consolidated Financial Statements.