

ADCARE HEALTH SYSTEMS, INC

Form 10-Q/A

October 22, 2013

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2 on

FORM 10-Q/A

(Mark One)

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

For the quarterly period ended September 30, 2012

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 001-33135

AdCare Health Systems, Inc.

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(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction)

31-1332119
(I.R.S. Employer Identification Number)

of incorporation)

1145 Hembree Road, Roswell, GA 30076

(Address of principal executive offices)

(678) 869-5116

(Registrant's telephone number, including area code)

Not Applicable

(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 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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

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.

As of October 31, 2012: 14,658,361 shares of common stock with no par value were outstanding.

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EXPLANATORY NOTE

This Amendment No. 2 on Form 10-Q/A (this Amendment No. 2) of AdCare Health Systems, Inc. and subsidiaries (collectively, the Company or we) amends the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, originally filed with the Securities and Exchange Commission (the Commission) on November 13, 2012 (the Original Filing Date), as amended by Amendment No. 1 thereto (Amendment No. 1) filed with the Commission on July 8, 2013 (as so amended by Amendment No. 1, the Original Report). This Amendment No. 2 amends the Original Report to revise Note 2, *Restatement of Previously Issued Consolidated Financial Statements for Cost of services and General and administrative expense* and including certain disclosure for *Interest expense, net*, Note 9, *Notes Payable and Other Debt*, to the unaudited consolidated financial statements included therein and Item 2., *Management s Discussion and Analysis of Financial Condition and Results of Operations*, to include certain disclosure regarding debt covenant compliance.

This Amendment No. 2 also includes as exhibits certifications from the Company s Chief Executive Officer and Chief Financial Officer dated as of the date of filing of this Amendment No. 2. Except as described above, no other portions of the Original Filing have been revised by this Amendment No. 2.

The Original Report continues to speak as of the Original Filing Date, and the Company has not updated disclosures contained therein to reflect information or events that have occurred since the Original Filing Date, except to reflect the revisions set forth in Amendment No. 1 and as discussed above. Accordingly, this Amendment No. 2 should be read in conjunction with the Company s other filings made with the Commission subsequent to the Original Filing Date, including any amendments to those filings.

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Item 1. Financial Statements

ADCARE HEALTH SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in 000 s)

	September 30, 2012 Restated (Note 2) (Unaudited)	December 31, 2011
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 9,693	\$ 7,364
Restricted cash and investments	2,825	1,883
Accounts receivable, net of allowance of \$3,360 and \$1,346	27,698	18,782
Prepaid expenses and other	807	663
Assets of disposal group held for sale		47
Total current assets	41,023	28,739
Restricted cash and investments	5,748	4,870
Property and equipment, net	150,779	102,449
Intangible assets - bed licenses	2,471	1,189
Intangible assets - lease rights, net	7,658	8,460
Goodwill	4,745	3,600
Escrow deposits for acquisitions	812	3,172
Lease deposits	1,704	1,685
Deferred loan costs, net	6,151	4,818
Other assets	169	122
Total assets	\$ 221,260	\$ 159,104
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities:		
Current portion of notes payable and other debt	\$ 30,237	\$ 4,567
Revolving credit facilities and lines of credit	1,363	7,343
Accounts payable	19,089	12,075
Accrued expenses	14,406	9,881
Liabilities of disposal group held for sale	93	240
Total current liabilities	65,188	34,106
Notes payable and other debt, net of current portion:		
Senior debt, net of discounts	103,318	87,771
Convertible debt, net of discounts	22,746	14,614
Revolving credit facilities	9,076	1,308
Other debt	887	1,400

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Derivative liability	3,231	1,889
Other liabilities	1,728	2,437
Deferred tax liability	151	86
Total liabilities	206,325	143,611
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, no par value; 1,000 shares authorized; no shares issued or outstanding		
Common stock and additional paid-in capital, no par value; 29,000 shares authorized; 14,658 and 12,803 shares issued and outstanding		
	41,229	35,047
Accumulated deficit	(25,691)	(18,713)
Total stockholders' equity	15,538	16,334
Noncontrolling interest in subsidiaries	(603)	(841)
Total equity	14,935	15,493
Total liabilities and equity	\$ 221,260	\$ 159,104

See accompanying notes to consolidated financial statements

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ADCARE HEALTH SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in 000 s, except per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	Restated		Restated	
	(Note 2)		(Note 2)	
Revenues:				
Patient care revenues	\$ 57,772	\$ 40,192	\$ 155,345	\$ 104,596
Management revenues	587	330	1,636	