CHEMED CORP
Form 10-Q
April 30, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

X	Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended March 31, 2008
	Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 1-8351

CHEMED CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	31-0791746 (IRS Employer Identification No.)
2600 Chemed Center, 255 E. Fifth Street, Cincinnati, Ohio (Address of principal executive offices)	45202 (Zip code)

(513) 762-6900
(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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X 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 X Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Amount	Date
Capital Stock $1 Par Value	23,728,308 Shares	March 31, 2008

CHEMED CORPORATION AND
SUBSIDIARY COMPANIES

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED BALANCE SHEET
(in thousands except share and per share data)

	March 31, 2008	December 31, 2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 29,704	$ 4,988
Accounts receivable less allowances of $9,818 (2007 - $9,746)	87,004	101,170
Inventories	7,439	6,596
Current deferred income taxes	14,996	14,212
Prepaid expenses and other current assets	9,035	10,496
Total current assets	148,178	137,462
Investments of deferred compensation plans held in trust	29,524	29,417
Notes receivable	-	9,701
Properties and equipment, at cost, less accumulated depreciation of $ 92,467 (2007 - $88,639)	72,910	74,513
Identifiable intangible assets less accumulated amortization of $ 18,253 (2007 - $17,245)	64,168	65,177
Goodwill	438,656	438,689
Other assets	15,467	15,411
Total Assets	$ 768,903	$ 770,370
LIABILITIES		
Current liabilities		
Accounts payable	$ 46,450	$ 46,168
Current portion of long-term debt	10,166	10,162
Income taxes	10,100	4,221
Accrued insurance	37,600	36,337
Accrued compensation	31,195	40,072
Other current liabilities	14,474	13,929
Total current liabilities	149,985	150,889
Deferred income taxes	5,465	5,802
Long-term debt	212,070	214,669
Deferred compensation liabilities	29,653	29,149
Other liabilities	5,540	5,512
Total Liabilities	402,713	406,021
STOCKHOLDERS' EQUITY		

Capital stock - authorized 80,000,000 shares $1 par; issued 29,379,006 shares (2007 - 29,260,791 shares)		29,379		29,261
Paid-in capital		271,296		267,312
Retained earnings		293,707		278,336
Treasury stock - 5,650,698 shares (2007 - 5,299,056 shares), at cost		(230,594)		(213,041)
Deferred compensation payable in Company stock		2,402		2,481
Total Stockholders' Equity		366,190		364,349
Total Liabilities and Stockholders' Equity	$	768,903	$	770,370

See accompanying notes to unaudited financial statements.

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CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED STATEMENT OF INCOME
(in thousands, except per share data)

	Three Months Ended March 31, 2008	2007
Service revenues and sales	$ 285,268	$ 270,439
Cost of services provided and goods sold (excluding depreciation)	205,812	188,247
Selling, general and administrative expenses	42,727	48,070
Depreciation	5,438	4,715
Amortization	1,450	1,315
Other operating income	-	(1,138)
Total costs and expenses	255,427	241,209
Income from operations	29,841	29,230
Interest expense	(1,597)	(3,742)
Other (expense)/income--net	(1,189)	869
Income before income taxes	27,055	26,357
Income taxes	(10,235)	(10,136)
Net income	$ 16,820	$ 16,221
Earnings Per Share		
Net income	$ 0.70	$ 0.63
Average number of shares outstanding	23,873	25,716
Diluted Earnings Per Share		
Net income	$ 0.69	$ 0.62
Average number of shares outstanding	24,285	26,162
Cash Dividends Per Share	$ 0.06	$ 0.06

See accompanying notes to unaudited financial statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

	Three Months Ended March 31, 2008	2007
Cash Flows from Operating Activities		
Net income	$ 16,820	$ 16,221
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,888	6,030
Provision for uncollectible accounts receivable	2,002	2,084
Provision for deferred income taxes	(1,126)	(345)
Amortization of debt issuance costs	254	455
Noncash long-term incentive compensation	-	4,719
Changes in operating assets and liabilities, excluding amounts acquired in business combinations		
Decrease in accounts receivable	12,112	5,275
Increase in inventories	(843)	(174)
Decrease in prepaid expenses and other current assets	1,488	858
Decrease in accounts payable and other current liabilities	(5,679)	(9,091)
Increase in income taxes	6,677	9,538
Increase in other assets	(293)	(2,102)
Increase in other liabilities	532	2,218
Excess tax benefit on share-based compensation	(825)	(611)
Other sources/(uses)	1,524	(375)
Net cash provided by operating activities	39,531	34,700
Cash Flows from Investing Activities		
Net sources/(uses) from the disposition of discontinued operations	9,556	(3,876)
Capital expenditures	(3,891)	(5,764)
Proceeds from sales of property and equipment	19	2,975
Other uses	(122)	(361)
Net cash provided/(used) by investing activities	5,562	(7,026)
Cash Flows from Financing Activities		
Purchases of treasury stock	(16,263)	(24,199)
Repayment of long-term debt	(2,595)	(141)
Dividends paid	(1,449)	(1,555)
Decrease in cash overdrafts payable	(963)	(1,608)
Excess tax benefit on share-based compensation	825	611
Other sources	68	81
Net cash used by financing activities	(20,377)	(26,811)
Increase in Cash and Cash Equivalents	24,716	863
Cash and cash equivalents at beginning of year	4,988	29,274
Cash and cash equivalents at end of period	$ 29,704	$ 30,137

See accompanying notes to unaudited financial statements.

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CHEMED CORPORATION AND SUBSIDIARY COMPANIES

Notes to Unaudited Financial Statements

1. Basis of Presentation

As used herein, the terms "We," "Company" and "Chemed" refer to Chemed Corporation or Chemed Corporation and its consolidated subsidiaries.

We have prepared the accompanying unaudited consolidated financial statements of Chemed in accordance with Rule 10-01 of SEC Regulation S-X. Consequently, we have omitted certain disclosures required under generally accepted accounting principles in the United States ("GAAP") for complete financial statements. The December 31, 2007 balance sheet data were derived from audited financial statements but does not include all disclosures required by GAAP. However, in our opinion, the financial statements presented herein contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our financial position, results of operations and cash flows. These financial statements are prepared on the same basis as and should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2007. Certain 2007 amounts have been reclassified to conform with current period presentation on the balance sheet related to the presentation of Medicaid nursing home pass-through activity at our VITAS subsidiary.

2. Revenue Recognition

Both the VITAS segment and Roto-Rooter segment recognize service revenues and sales when the earnings process has been completed. Generally, this occurs when services are provided or products are delivered. VITAS recognizes revenue at the estimated realizable amount due from third-party payers. Medicare payments are subject to certain caps, as described below.

As of March 31, 2008, VITAS has approximately $10.6 million in unbilled revenue (December 31, 2007 - $9.5 million). The unbilled revenue at VITAS relates to hospice programs currently undergoing focused medical reviews (FMR). During FMR, surveyors working on behalf of the U.S. Federal government review certain patient files for compliance with Medicare regulations. During the time the patient file is under review, we are unable to bill for care provided to those patients. During the past year, the pace of FMR activity has increased industry-wide, resulting in our significant unbilled revenue balances. We make appropriate provisions to reduce our accounts receivable balance for potential denials of patient service revenue due to FMR activity.

We actively monitor each of our hospice programs, by provider number, as to their specific admission, discharge rate and median length of stay data in an attempt to determine whether they are likely to exceed the annual per-beneficiary Medicare cap ("Medicare cap"). Should we determine that revenues for a program are likely to exceed the Medicare cap based on projected trends, we attempt to institute corrective action to influence the patient mix or to increase patient admissions. However, should we project our corrective action will not prevent that program from exceeding its Medicare cap, we estimate the amount of revenue recognized during the period that will require repayment to the Federal government under the Medicare cap and record the amount as a reduction to patient revenue. The Medicare cap measurement period is from September 29 through September 28 of the following year for admissions and from November 1 through October 31 of the following year for revenue. As of the date of this filing, for the 2007 and 2008 measurement period, we estimate that no programs have a required Medicare billing reduction. Our current estimates for the projected full year 2007 and 2008 measurement period anticipate no programs with a Medicare cap billing limitation. Therefore, no revenue reduction for Medicare cap has been recorded for the three-month period ended March 31, 2008. During the three-month period ended March 31, 2007, we reversed approximately $472,000 related to estimated Medicare cap liabilities. The reversal of previously recorded amounts was based on improving admissions trends as well as consolidation of certain VITAS programs.

3. Segments

Service revenues and sales and aftertax earnings by business segment are as follows (in thousands):

		Three months ended March 31, 2008	Three months ended March 31, 2007
Service Revenues and Sales			
VITAS		$ 198,585	$ 184,049
Roto-Rooter		86,683	86,390
	Total	$ 285,268	$ 270,439
Aftertax Earnings			
VITAS		$ 13,298	$ 14,987
Roto-Rooter		9,095	9,506
	Total	22,393	24,493
Corporate		(5,573)	(8,272)
	Net income	$ 16,820	$ 16,221

Beginning on January 1, 2008, the income statement impact of our deferred compensation plans covering Roto-Rooter employees has been classified as a Corporate activity. Historically, the income statement impact has been recorded as a Roto-Rooter activity. Due to the volatility in the capital markets, Roto-Rooter's operational results were being distorted in our management reporting as a result of the activity of the deferred compensation plans. Our Chief Operating Decision Maker, Kevin McNamara, determined that the income statement impact of Roto-Rooter's deferred compensation plans is more appropriately classified as a Corporate activity. Our internal management reporting documents have been changed to reflect this determination. The comparable prior year period has been reclassified to conform to the current year presentation.

4. Earnings per Share

Earnings per share are computed using the weighted average number of shares of capital stock outstanding. Earnings and diluted earnings per share for 2008 and 2007 are computed as follows (in thousands, except per share data):

For the Three Months Ended March 31,	Net Income: Income	Net Income: Shares	Earnings per Share
2008			
Earnings	$ 16,820	23,873	$ 0.70
Dilutive stock options	-	377	
Nonvested stock awards	-	35	
Diluted earnings	$ 16,820	24,285	$ 0.69
2007			
Earnings	$ 16,221	25,716	$ 0.63
Dilutive stock options	-	386	
Nonvested stock awards	-	60	
Diluted earnings	$ 16,221	26,162	$ 0.62

For the period ended March 31, 2008, 832,567 stock options were excluded from the computation of diluted earnings per share as their exercise prices were greater than the average market price for most of the quarter. No stock options were excluded for the comparable period in 2007.

Diluted earnings per share may be impacted in future periods as the result of the issuance of our $200 million Notes and related purchased call options and sold warrants. Under EITF 04-8 ”The Effect of Contingently Convertible Instruments on Diluted Earnings per Share” and EITF 90-19, we will not include any shares related to the Notes in our calculation of diluted earnings per share until our average stock price for a quarter exceeds the conversion price of $80.73. We would then include in our diluted earnings per share calculation those shares issuable using the treasury stock method. The amount of shares issuable is based upon the amount by which the average stock price for the quarter exceeds the conversion price. The purchased call option does not impact the calculation of diluted earnings per share as it is always anti-dilutive. The sold warrants become dilutive when our average stock price for a quarter exceeds the strike price of the warrant.

The following table provides examples of how changes in our stock price impact the number of shares that would be included in our diluted earnings per share calculation. It also shows the impact on the number of shares issuable upon conversion of the Notes and settlement of the purchased call options and sold warrants:

Share Price	Shares Underlying 1.875% Convertible Notes	Warrant Shares	Total Treasury Method Incremental Shares (a)	Shares Due to the Company under Notes Hedges	Incremental Shares Issued by the Company upon Conversion (b)
$ 80.73	-	-	-	-	-
$ 90.73	273,061	-	273,061	(273,061)	-
$ 100.73	491,905	-	491,905	(491,905)	-
$ 110.73	671,222	118,359	789,581	(671,222)	118,359
$ 120.73	820,833	313,764	1,134,597	(820,833)	313,764
$ 130.73	947,556	479,274	1,426,830	(947,556)	479,274

(a) Represents the number of incremental shares that must be included in the calculation of fully diluted shares under U.S. GAAP.

(b) Represents the number of incremental shares to be issued by the Company upon conversion of the 1.875% Convertible Notes, assuming concurrent settlement of the note hedges and warrants.

5. Patient Care Notes Receivable

In December 2007, the parties amended the terms of the long-term notes receivable from Patient Care. We agreed to waive the prepayment penalty provisions in the notes provided that Patient Care paid $5 million of principal on or before December 31, 2007, and the remaining outstanding principal on or before March 31, 2008. All principal outstanding on the notes receivable was collected as of March 31, 2008.

6. Long-Term Debt

We are in compliance with all debt covenants as of March 31, 2008. We have issued $27.5 million in standby letters of credit as of March 31, 2008, mainly for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. As of March 31, 2008, we have approximately $147.5 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility, excluding the expansion feature.

7. Other Operating Income

During the first quarter of 2007, we completed the sale of Roto-Rooter’s call center building in Florida. The proceeds from the sale were approximately $3.0 million, which resulted in a pretax gain of $1.1 million. The gain was recorded in other income from operations in the accompanying consolidated statement of income.

8. Other Income -- Net

Other income -- net comprises the following (in thousands):

	Three Months Ended March 31,			
		2008		2007
Interest income	$	337	$	767
(Loss)/gain on trading investments of employee benefit trust		(1,522)		212
(Loss)/gain on disposal of property and equipment		(29)		(136)
Other - net		25		26
Total other income	$	(1,189)	$	869

9. Other Current Liabilities

Other current liabilities as of March 31, 2008 and December 31, 2007 consist of the following (in thousands):

		2008		2007
Accrued legal settlements	$	2,142	$	2,393
Accrued divestiture expenses		841		845
Accrued Medicare cap estimate		500		500
Other		10,991		10,191
Total other current liabilities	$	14,474	$	13,929

10. Stock-Based Compensation Awards

On February 13, 2008, the Compensation/Incentive Committee of the Board of Directors (“CIC”) approved a grant of 40,315 shares of restricted stock to certain key employees. The restricted shares cliff vest four-years from the date of issuance. The cumulative compensation expense related to the restricted stock award is $2.1 million and will be recognized ratably over the four-year vesting period. We assumed no forfeitures in determining the cumulative compensation expense of the grant.

In February 2007, we met the cumulative earnings target specified in the Executive Long-Term Incentive Plan (LTIP) and on March 9, 2007 the CIC approved a stock grant of 100,000 shares and the related allocation to participants. The pre-tax cost of the stock grant was $5.4 million and is included in selling, general and administrative expenses in the accompanying consolidated statement of income. No such LTIP grants were made during the first quarter of 2008.

11. Loans Receivable from Independent Contractors

The Roto-Rooter segment sublicenses with approximately sixty-one independent contractors to operate certain plumbing repair and drain cleaning businesses in lesser-populated areas of the United States and Canada. As of March 31, 2008, we had notes receivable from our independent contractors totaling $1.5 million (December 31, 2007 -$1.6 million). In most cases these loans are fully or partially secured by equipment owned by the contractor. The interest rates on the loans range from zero to 8% per annum and the remaining terms of the loans range from two months to 5 years at March 31, 2008. During the three-months ended March 31, 2008, we recorded revenues of $5.6 million (2007 - $5.4 million) and pretax profits of $2.7 million (2007 - $2.5 million) from our independent contractors.

We have adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 46R "Consolidation of Variable Interest Entities--an interpretation of Accounting Research Bulletin No. 51 (revised)" ("FIN 46R") relative to our contractual relationships with the independent contractors. FIN 46R requires the primary beneficiary of a Variable Interest Entity ("VIE") to consolidate the accounts of the VIE. We have evaluated our relationships with our independent contractors based upon guidance provided in FIN 46R and have concluded that some of the contractors who have loans payable to us may be VIE's. We believe consolidation, if required, of the accounts of any VIE's for which we might be the primary beneficiary would not materially impact our financial position, results of operations or cash flows.

12. Pension and Retirement Plans

All of the Company's plans that provide retirement and similar benefits are defined contribution plans. Expenses for the Company's pension and profit-sharing plans, excess benefit plans and other similar plans were $2.3 million and $3.6 million for the three months ended March 31, 2008 and 2007, respectively.

13. Litigation

VITAS is party to a class action lawsuit filed in the Superior Court of California, Los Angeles County, in September 2006 by Bernadette Santos, Keith Knoche and Joyce White ("Santos"). This case alleges failure to pay overtime and failure to provide meal and rest periods to a purported class of California admissions nurses, chaplains and sales representatives. The case seeks payment of penalties, interest and Plaintiffs' attorney fees. VITAS contests these allegations. The lawsuit is in its early stage and we are unable to estimate our potential liability, if any, with respect to these allegations.

In April 2007, our Roto-Rooter subsidiary was named in a class action lawsuit filed in San Mateo Superior Court by Stanley Ita ("Ita") alleging class-wide wage and hour violations at one California branch. This suit alleges failure to provide meal and break periods, credit for work time beginning from the first call to dispatch rather than arrival at first assignment and improper calculations of work time and overtime. The case sought payment of penalties, interest and Plaintiffs' attorney fees. After the suit was filed, we offered a settlement to certain members of the class and paid approximately $200,000. In January 2008, we agreed to a tentative settlement with the remaining members of the class for approximately $1.8 million. The tentative settlement is subject to court approval. The tentative settlement has been accrued in the accompanying financial statements as of and for the year ended December 31, 2007.

Regardless of outcome, defense of litigation adversely affects us through defense costs, diversion of our time and related publicity. In the normal course of business, we are a party to various claims and legal proceedings. We record a reserve for these matters when an adverse outcome is probable and the amount of the potential liability is reasonably estimable.

14. OIG Investigation

In April 2005, the Office of Inspector General ("OIG") for the Department of Health and Human Services served VITAS with civil subpoenas relating to VITAS' alleged failure to appropriately bill Medicare and Medicaid for hospice services. As part of this investigation, the OIG selected medical records for 320 past and current patients from VITAS' three largest programs for review. It also sought policies and procedures dating back to 1998 covering admissions, certifications, recertifications and discharges. During the third quarter of 2005 and again in May 2006, the OIG requested additional information from us. The Court dismissed a related qui tam complaint filed in U.S. District Court for the Southern District of Florida with prejudice in July 2007. The plaintiffs are appealing this dismissal. Pretax expenses related to complying with OIG requests were immaterial for the three months ended March 31, 2008 and 2007.

The government continues to investigate the complaint's allegations. We are unable to predict the outcome of this matter or the impact, if any, that the investigation may have on our business, results of operations, liquidity or capital resources. Regardless of outcome, responding to the subpoenas and defending the litigation can adversely affect us through defense costs, diversion of our time and related publicity.

15. Related Party Agreement

In October 2004, VITAS entered into a pharmacy services agreement ("Agreement") with Omnicare, Inc. ("OCR") whereby OCR provides specified pharmacy services for VITAS and its hospice patients in geographical areas served by both VITAS and OCR. The Agreement has an initial term of three years that renews automatically for one-year terms. Either party may cancel the Agreement at the end of any term by giving written notice at least 90 days prior to the end of said term. In June 2004, VITAS entered into a pharmacy services agreement with excelleRx. The agreement has a one-year term and automatically renews unless either party provides a 90-day written termination notice. Subsequent to June 2004, OCR acquired excelleRx. Under both agreements, VITAS made purchases of $8.3 million and $8.2 million for the three months ended March 31, 2008 and 2007, respectively and has accounts payable of $695,000 at March 31, 2008.

Mr. E. L. Hutton is non-executive Chairman of the Board and a director of the Company. He was a director of OCR until his retirement in the first quarter of 2008 at which time he assumed the honorary post of Chairman Emeritus of OCR's Board. Mr. Joel F. Gemunder, President and Chief Executive Officer of OCR, Mr. Charles H. Erhart, Jr. and Ms. Sandra Laney are directors of both OCR and the Company. Mr. Kevin J. McNamara, President, Chief Executive Officer and a director of the Company, is a director emeritus of OCR. Ms. Andrea Lindell, a nominee for election to our Board of Directors, is also a director of OCR. We believe that the terms of these agreements are no less favorable to VITAS than we could negotiate with an unrelated party.

16. Cash Overdrafts Payable

Included in accounts payable at March 31, 2008 is cash overdrafts payable of $9.7 million (December 31, 2007 - $9.5 million).

17. Capital Stock Transactions

On April 26, 2007, our Board of Directors authorized a $150 million stock repurchase program. For the three months ended March 31, 2008 we repurchased 300,000 shares at a weighted average cost of $49.19 per share. For the three months ended March 31, 2007 we repurchased 626,079 shares at a weighted average cost of $46.76 per share.

18. Fair Value Measurements

On January 1, 2008, we partially adopted the provisions of Statement No. 157, "Fair Value Measurements" ("SFAS 157"). This statement defines a hierarchy which prioritizes the inputs in fair value measurements. Level 1 measurements are measurements using quoted prices in active markets for identical assets or liabilities. Level 2 measurements use significant other observable inputs. Level 3 measurements are measurements using significant unobservable inputs which require a company to develop its own assumptions. In recording the fair value of assets and liabilities, companies must use the most reliable measurement available. There was no impact on our financial position or results of operations upon adoption of SFAS 157. We have elected to partially defer adoption of SFAS No. 157 related to our goodwill and indefinite-lived intangible assets in accordance with FASB Staff Position 157-2.

As of March 31, 2008, we hold $29.5 million of investments in mutual funds and company owned life insurance policies in a Rabbi Trust related to certain of our deferred compensation plans and $28.2 million in cash equivalents invested in overnight securities. These investments are valued using quoted prices in active markets for identical investments (Level 1).

19. Recent Accounting Statements

In December 2007, the FASB issued Statement No. 141(R) "Business Combinations (revised 2007)" ("SFAS 141(R)"), which changes certain aspects of the accounting for business combinations. This Statement retains the fundamental requirements in Statement No. 141 that the purchase method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. SFAS 141(R) modifies existing accounting guidance in the areas of deal and restructuring costs, acquired contingencies, contingent consideration, in-process research and development, accounting for subsequent tax adjustments and assessing the valuation date. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. There will be no impact on our financial statements as a result of the adoption of SFAS 141(R); however our accounting for all business combinations after adoption will comply with the new standard.

In December 2007, the FASB issued Statement No. 160 "Non-controlling Interests in Consolidated Financial Statements – an amendment of ARB No. 51" ("SFAS 160"), which requires ownership interests in subsidiaries held by others to be clearly identified, labeled and presented in the consolidated balance sheet within equity but separate from the parent company's equity. SFAS 160 also affects the accounting requirements when the parent company either purchases a higher ownership interest or deconsolidates the equity investment. This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date. We currently do not have non-controlling interests in our consolidated financial statements.

20. Guarantor Subsidiaries

Our 1.875% Notes are fully and unconditionally guaranteed on an unsecured, joint and severally liable basis by certain of our 100% owned subsidiaries. The following unaudited, condensed, consolidating financial data presents the composition of the parent company (Chemed), the guarantor subsidiaries and the non-guarantor subsidiaries as of March 31, 2008 and December 31, 2007 for the balance sheet and the three months ended March 31, 2008 and 2007 for the income statement and the statement of cash flows (dollars in thousands):

Condensed Consolidating Balance Sheet

(As of March 31, 2008)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					
Cash and cash equivalents	$ 28,524	$ (1,389)	$ 2,569	$ -	$ 29,704
Accounts receivable, less allowances	1,133	85,425	446	-	87,004
Intercompany receivables	3,183	-	(3,849)	666	-
Inventories	-	6,736	703	-	7,439
Current deferred income taxes	142	14,675	179	-	14,996
Prepaid expenses and other current assets	681	8,234	120	-	9,035
Total current assets	33,663	113,681	168	666	148,178
Investments of deferred compensation plans held in trust	-	-	29,524	-	29,524
Properties and equipment, at cost, less accumulated depreciation	4,216	66,811	1,883	-	72,910
Identifiable intangible assets less accumulated amortization	-	64,167	1	-	64,168
Goodwill	-	433,946	4,710	-	438,656
Other assets	12,772	2,406	289	-	15,467
Investments in subsidiaries	516,665	11,573	-	(528,238)	-
Total assets	$ 567,316	$ 692,584	$ 36,575	$ (527,572)	$ 768,903
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable	$ (1,666)	$ 47,752	$ 364	$ -	$ 46,450
Intercompany payables	-	(3,239)	2,573	666	-
Current portion of long-term debt	10,000	166	-	-	10,166
Income taxes	(4,439)	12,800	1,739	-	10,100
Accrued insurance	359	37,241	-	-	37,600
Accrued salaries and wages	789	29,914	492	-	31,195
Other current liabilities	3,395	10,958	121	-	14,474
Deferred income taxes	(23,040)	38,935	(10,430)	-	5,465
Long-term debt	212,000	70	-	-	212,070
Deferred compensation liabilities	-	-	29,653	-	29,653
Other liabilities	3,728	1,793	19	-	5,540
Stockholders' equity	366,190	516,194	12,044	(528,238)	366,190
Total liabilities and stockholders' equity	$ 567,316	$ 692,584	$ 36,575	$ (527,572)	$ 768,903

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(as of December 31, 2007)	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
ASSETS					