

NATIONAL HEALTHCARE CORP
Form 10-Q
August 03, 2017

**UNITED
STATES
SECURITIES
AND
EXCHANGE
COMMISSION
Washington, D.C.
20549**

FORM 10-Q

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

For the quarterly
period ended June
30, 2017

OR

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
001-13489

(Exact name of
registrant as

specified in its
Charter)

~~012057472~~
012057472

(State

or

~~U.S.~~ Employer
jurisdiction

of

incorporation

(Identification No.)

organization

100 E. Vine Street
Murfreesboro, TN

37130

(Address of

principal

executive offices)

(Zip Code)

(615) 890-2020

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 (§232.405 of this chapter) during the preceding 12 months (or for such 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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the

registrant is
a shell
company
(as is
defined in
Rule 12b-2
of the
Exchange
Act). Yes [
] No [x]

15,195,030 shares
of common
stock of the
registrant
were
outstanding
as
of August 1,
2017.

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements.****NATIONAL HEALTHCARE CORPORATION****Interim Condensed Consolidated Statements of Income***(in thousands, except share and per share amounts)**(unaudited)*

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2017	2016	2017	2016
Revenues:				
Net patient revenues	\$227,847	\$216,487	\$455,806	\$434,593
Other revenues	11,610	11,281	22,894	22,763
Net operating revenues	239,457	227,768	478,700	457,356
Cost and Expenses:				
Salaries, wages and benefits	142,684	135,068	280,739	265,088
Other operating	62,856	57,306	126,739	118,615
Facility rent	10,079	10,319	20,167	20,646
Depreciation and amortization	10,481	9,495	20,776	18,849
Interest	1,219	939	2,277	1,893
Total costs and expenses	227,319	213,127	450,698	425,091
Income Before Non-Operating Income	12,138	14,641	28,002	32,265
Non-Operating Income	5,189	4,925	9,957	9,698
Income Before Income Taxes	17,327	19,566	37,959	41,963
Income Tax Provision	(6,758)	(7,700)	(14,757)	(16,398)
Net Income	10,569	11,866	23,202	25,565
Loss Attributable To Noncontrolling Interest	86	-	181	-
Net Income Attributable to National HealthCare Corporation	\$ 10,655	\$ 11,866	\$ 23,383	\$ 25,565

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Earnings Per Share Attributable to National HealthCare Corporation Stockholders:

Basic	\$0.70	\$0.78	\$1.54	\$1.69
Diluted	\$0.70	\$0.78	\$1.54	\$1.68

Weighted Average Common Shares Outstanding:

Basic	15,189,818	15,266,559	15,181,700	15,091,732
Diluted	15,220,448	15,289,104	15,216,336	15,212,275

Dividends Declared Per Common Share	\$0.48	\$0.45	\$0.93	\$0.85
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The accompanying notes to interim condensed consolidated financial statements are an integral part of these consolidated statements.

NATIONAL HEALTHCARE CORPORATION**Interim Condensed Consolidated Statements of Comprehensive Income***(unaudited – in thousands)*

	Three Months Ended		Six Months Ended	
			June 30	
	2017	2016	2017	2016
Net Income	\$10,569	\$11,866	\$23,202	\$25,565
Other Comprehensive Income:				
Unrealized gains on investments in marketable securities	13,297	18,123	12,356	30,627
Reclassification adjustment for realized gains on sale of securities	(204)	(261)	(238)	(540)
Income tax expense related to items of other comprehensive income	(5,054)	(6,887)	(4,646)	(11,554)
Other Comprehensive Income, net of tax	8,039	10,975	7,472	18,533
Loss Attributable To Noncontrolling Interest	86	-	181	-
Comprehensive Income Attributable to National HealthCare Corporation	\$18,694	\$22,841	\$30,855	\$44,098

The accompanying notes to interim condensed consolidated financial statements are an integral part of these consolidated statements.

NATIONAL HEALTHCARE CORPORATION**Interim Condensed Consolidated Balance Sheets***(in thousands)*

	June 30, 2017 <i>unaudited</i>	December 31, 2016
Assets		
Current Assets:		
Cash and cash equivalents	\$60,848	\$26,335
Restricted cash and cash equivalents	3,582	3,125
Marketable securities	148,137	138,013
Restricted marketable securities	21,963	22,773
Accounts receivable, less allowance for doubtful accounts of \$7,408 and \$5,743, respectively	79,640	82,531
Inventories	7,198	7,508
Prepaid expenses and other assets	3,617	2,648
Notes receivable, current portion	1,299	3,259
Federal income tax receivable	2,447	4,665
Total current assets	328,731	290,857
Property and Equipment:		
Property and equipment, at cost	949,753	933,140
Accumulated depreciation and amortization	(394,224)	(373,516)
Net property and equipment	555,529	559,624
Other Assets:		
Restricted cash and cash equivalents	2,166	2,129
Restricted marketable securities	141,991	160,931
Deposits and other assets	5,639	5,244
Goodwill	17,600	17,600
Notes receivable, less current portion	12,245	13,820
Investments in limited liability companies	36,345	37,242
Total other assets	215,986	236,966
Total assets	\$1,100,246	\$1,087,447

The accompanying notes to interim condensed consolidated financial statements are an integral part of these consolidated statements.

NATIONAL HEALTHCARE CORPORATION**Interim Condensed Consolidated Balance Sheets (continued)***(in thousands, except share and per share amounts)*

	June 30, 2017 <i>unaudited</i>	December 31, 2016
Liabilities and Stockholders' Equity		
Current Liabilities:		
Trade accounts payable	\$ 14,738	\$ 18,593
Capital lease obligations, current portion	3,587	3,481
Accrued payroll	53,311	65,912
Amounts due to third party payors	17,950	17,019
Accrued risk reserves, current portion	25,545	25,898
Other current liabilities	14,623	13,207
Dividends payable	7,294	6,818
Total current liabilities	137,048	150,928
Long-term debt	120,000	120,000
Capital lease obligations, less current portion	24,927	26,748
Accrued risk reserves, less current portion	68,996	65,264
Refundable entrance fees	9,167	9,924
Obligation to provide future services	3,236	3,236
Deferred income taxes	25,178	22,072
Other noncurrent liabilities	17,350	16,302
Deferred revenue	4,886	3,362
Total liabilities	410,788	417,836
Stockholders' Equity:		
Common stock, \$.01 par value; 45,000,000 and 30,000,000 shares authorized, respectively; 15,195,030 and 15,162,938 shares, respectively, issued and outstanding	152	152
Capital in excess of par value	213,785	211,457
Retained earnings	401,192	391,934
Accumulated other comprehensive income	73,540	66,068
Total National HealthCare Corporation stockholders' equity	688,669	669,611
Noncontrolling interest	789	-
Total stockholders' equity	689,458	669,611
Total liabilities and stockholders' equity	\$ 1,100,246	\$ 1,087,447

The accompanying notes to interim condensed consolidated financial statements are an integral part of these consolidated statements.

NATIONAL HEALTHCARE CORPORATION**Interim Condensed Consolidated Statements of Cash Flows***(unaudited – in thousands)*

	Six Months Ended	
	June 30	
	2017	2016
		<i>(as adjusted)</i>
Cash Flows From Operating Activities:		
Net income	\$23,202	\$ 25,565
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,776	18,849
Provision for doubtful accounts receivable	3,795	3,795
Equity in earnings of unconsolidated investments	(3,380)	(3,120)
Distributions from unconsolidated investments	4,337	5,635
Gains on sale of restricted marketable securities	(238)	(540)
Deferred income taxes	(1,540)	(244)
Stock-based compensation	832	494
Changes in operating assets and liabilities, net of the effect of acquisitions:		
Accounts receivable	(904)	3,072
Income tax receivable	2,218	2,288
Inventories	310	431
Prepaid expenses and other assets	(969)	(967)
Trade accounts payable	(3,855)	1,675
Accrued payroll	(12,601)	(15,333)
Amounts due to third party payors	931	1,756
Other current liabilities and accrued risk reserves	4,819	609
Other noncurrent liabilities	1,048	1,073
Deferred revenue	1,524	1,390
Net cash provided by operating activities	40,305	46,428
Cash Flows From Investing Activities:		
Additions to property and equipment	(16,681)	(36,127)
Investments in unconsolidated companies	(176)	(904)
Investments in notes receivable	-	(2,144)
Collections of notes receivable	3,651	428
Purchase of restricted marketable securities	(22,775)	(23,852)
Sale of restricted marketable securities	44,756	25,697
Net cash provided by (used in) investing activities	8,775	(36,902)
Cash Flows From Financing Activities:		
Tax expense from stock-based compensation	-	(1,134)
Principal payments under capital lease obligations	(1,715)	(1,614)
Dividends paid to common stockholders	(13,649)	(12,101)

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Issuance of common shares	1,496	10,070
Equity attributable to noncontrolling interest	970	-
Entrance fee refunds	(757)	(34)
Change in deposits	(418)	216
Net cash used in financing activities	(14,073)	(4,597)
Net Increase in Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents	35,007	4,929
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents, Beginning of Period	31,589	49,314
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents, End of Period	\$66,596	\$ 54,243
Balance Sheet Classifications:		
Cash and cash equivalents	\$60,848	\$ 37,543
Restricted cash and cash equivalents	5,748	16,700
Total Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents	\$66,596	\$ 54,243

The accompanying notes to interim condensed consolidated financial statements are an integral part of these consolidated statements.

NATIONAL HEALTHCARE CORPORATION

Interim Condensed Consolidated Statements of Stockholders' Equity

(in thousands, except share and per share amounts)

(unaudited)

	Common Stock		Capital in	Retained	Accumulated	Non-	Total
	Shares	Amount	Excess of	Earnings	Other	controlling	Stockholders'
			Par		Comprehensive	Interest	Equity
			Value		Income		
Balance at January 1, 2016	15,000,616	\$ 150	\$ 209,469	\$ 368,013	\$ 53,364	\$ –	\$ 630,996
Net income	–	–	–	25,565	–	–	25,565
Other comprehensive income	–	–	–	–	18,533	–	18,533
Stock-based compensation	–	–	494	–	–	–	494
Tax expense from exercise of stock options	–	–	(1,134)	–	–	–	(1,134)
Shares sold – options exercised	278,623	3	10,067	–	–	–	10,070
Dividends declared to common stockholders (\$0.85 per share)	–	–	–	(12,981)	–	–	(12,981)
Balance at June 30, 2016	15,279,239	\$ 153	\$ 218,896	\$ 380,597	\$ 71,897	\$ –	\$ 671,543
Balance at January 1, 2017	15,162,938	\$ 152	\$ 211,457	\$ 391,934	\$ 66,068	\$ –	\$ 669,611
Net income attributable to National HealthCare Corporation	–	–	–	23,383	–	–	23,383
Net loss attributable to noncontrolling interest	–	–	–	–	–	(181)	(181)
Equity contributed by noncontrolling interest	–	–	–	–	–	970	970
Other comprehensive income	–	–	–	–	7,472	–	7,472
Stock-based compensation	–	–	832	–	–	–	832
Shares sold – options exercised	32,092	–	1,496	–	–	–	1,496
Dividends declared to common stockholders (\$0.93 per share)	–	–	–	(14,125)	–	–	(14,125)
Balance at June 30, 2017	15,195,030	\$ 152	\$ 213,785	\$ 401,192	\$		