

NATIONAL HEALTHCARE CORP  
Form 10-Q  
May 06, 2008

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

**FORM 10 Q**

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

For the quarterly period ended March 31, 2008

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)

Delaware 52 2057472

(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization Identification No.)

100 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  
is a large accelerated filer, an accelerated filer, a  
non-accelerated filer or a smaller reporting  
company. (as defined in Rule 12b-2 of the Act).  
Large accelerated filer  Accelerated filer  T  
Non-accelerated filer  Smaller reporting  
company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant  
is a shell company (as is defined in Rule 12b-2 of  
the Exchange  
Act). Yes  No  S

12,782,905 shares of common stock of the registrant were outstanding as of May 6, 2008.

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**PART I. FINANCIAL INFORMATION**

## Item 1. Financial Statements.

**NATIONAL HEALTHCARE CORPORATION****Interim Condensed Consolidated Statements of Income***(Unaudited)*

	Three Months Ended	
	March 31	
	2008	2007
	<i>(in thousands, except share and per share amounts)</i>	
Revenues:		
Net patient revenues	\$ 143,965	\$ 133,480
Other revenues	16,176	13,024
Net revenues	160,141	146,504
Costs and Expenses:		
Salaries, wages and benefits	87,541	79,174
Other operating	45,314	41,828
Rent	7,918	10,523
Depreciation and amortization	5,997	3,756
Interest	219	276
Total costs and expenses	146,989	135,557
Income Before Income Taxes	13,152	10,947
Income Tax Provision	(4,980)	(3,907)
Net Income	8,172	7,040
Dividends to Preferred Shareholders	2,168	

Net income available to common shareholders	\$	6,004	\$	7,040
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Earnings Per Common  
Share:

Basic	\$	.47	\$	.56
Diluted	\$	.46	\$	.54

Weighted Average Common  
Shares Outstanding:

Basic	12,767,696	12,526,231
Diluted	13,118,218	12,992,219

*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)*

	March 31	December
	2008	31
	2007	
	<i>(unaudited)</i>	
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 17,288	\$ 2,379
Restricted cash	82,422	72,238
Marketable securities	61,964	56,322
Restricted marketable securities	1,376	1,348
Investment in enhanced cash fund	23,116	35,492
Accounts receivable, less allowance for doubtful accounts of \$4,750 and \$4,381, respectively	61,846	69,606
Notes receivable	189	189
Inventories	6,931	6,654
Prepaid expenses and other assets	2,406	1,786
Total current assets	257,538	246,014
Property and Equipment:		
Property and equipment, at cost	536,306	519,983
Accumulated depreciation and amortization	(141,989)	(135,696)
Net property and equipment	394,317	384,287
Other Assets:		
Deposits	292	88
Deposits reserved for land acquisition		12,361
Goodwill	3,033	3,033
Notes receivable	19,988	18,392
Notes receivable from National		3,903
Deferred income taxes	21,517	21,303
	10,380	9,027

Investments in limited liability companies and  
other

Total other assets	55,210	68,107
Total assets	\$ 707,065	\$ 698,408

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

*The interim condensed consolidated balance sheet at December 31, 2007 is taken from the audited consolidated financial statements at that date.*

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

	March 31 2008 <i>(unaudited)</i>	December 31 2007
<b>Liabilities and Stockholders Equity</b>		
Current Liabilities:		
Current portion of long-term debt	\$ 7,503	\$ 7,435
Trade accounts payable	13,072	13,418
Accrued payroll	38,533	46,792
Amounts due to third party payors	12,119	12,339
Accrued risk reserves	93,136	88,382
Deferred income taxes	5,417	3,797
Other current liabilities	12,709	12,110
Dividends payable	4,849	4,506
Accrued interest	47	46
Total current liabilities	187,385	188,825
Long-Term Debt, less Current Portion	10,000	10,000
Other Noncurrent Liabilities	24,037	23,790
Deferred Lease Credits	4,544	4,847
Deferred Revenue	17,982	15,238
Commitments, Contingencies and Guarantees		

Stockholders Equity:		
Series A Convertible Preferred Stock; \$.01 par value;		
25,000,000 shares authorized;		
10,841,062 shares issued and outstanding; stated at liquidation		
of \$15.75 per share	170,555	170,555
Common stock, \$.01 par value; 30,000,000 shares authorized;		
12,767,805 and 12,757,907 shares, respectively, issued and outstanding	127	127
Capital in excess of par value	103,903	103,221
Retained earnings	167,326	164,003
Unrealized gains on marketable securities, net of taxes	21,206	17,802
Total stockholders equity	463,117	455,708
Total liabilities and stockholders equity	\$ 707,065	\$ 698,408

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





**NATIONAL HEALTHCARE CORPORATION****Interim Condensed Consolidated Statements of Cash Flows***(Unaudited)*

	Three Months Ended March 31	
	2008	2007
<b>Cash Flows From Operating Activities:</b>	<i>(in thousands)</i>	
Net income	\$ 8,172	\$ 7,040
Adjustments to reconcile net income to net cash		
provided by operating activities:		
Depreciation	5,997	3,792
Provision for doubtful accounts receivable	369	388
Amortization of intangibles and deferred charges	---	10
Amortization of deferred income	(74)	(354)
Deferred income	3,035	2,669
Increase in restricted cash	(10,184)	(5,594)
Equity in earnings of unconsolidated investments	(1,539)	(1,175)
Deferred income taxes	(860)	(12,804)
Stock-based compensation	364	305
Changes in operating assets and liabilities:		
Accounts (and other) receivables	7,391	2,354
Inventories	(277)	(91)
Prepaid expenses and other assets	(479)	(1,194)
Trade accounts payable	(346)	(783)
Accrued payroll	(8,259)	(5,522)
Amounts due to third party payors	(220)	(216)
Accrued interest	1	205
Other current liabilities and accrued risk reserves	5,353	6,871
Entrance fee deposits	(217)	(217)
Other noncurrent liabilities	247	11,574
Net cash provided by operating activities	8,474	7,258

**Cash Flows From Investing Activities:**

Additions to and acquisitions of property and equipment	(4,910)	(4,814)
Decrease in deposits reserved for land acquisition	941	---
Investments in notes receivable	(1,900)	---
Collections of notes receivable	4,207	6,447
Changes in enhanced cash fund balance	12,376	---
Distributions from unconsolidated investments	58	118
Net cash provided by investing activities	10,772	1,751

**Cash Flows From Financing Activities:**

Proceeds from debt	7,500	---
Payments on debt	(7,431)	(554)
Decrease in minority interests in consolidated subsidiaries	(14)	(11)
Tax benefit from exercise of stock options	124	62
Dividends paid to preferred shareholders	(1,831)	--
Dividends paid to common shareholders	(2,675)	(2,248)
Issuance of common shares	194	317
Increase in deposits	(204)	(7)
Net cash used in financing activities	(4,337)	(2,441)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>14,909</b>	<b>6,568</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>2,379</b>	<b>50,678</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 17,288</b>	<b>\$ 57,246</b>

**NATIONAL HEALTHCARE CORPORATION****Interim Condensed Consolidated Statements of Cash Flows***(continued)*

Three Months  
Ended  
March 31  
2008      2007

*(in thousands)***Supplemental Information:**

Effective January 7, 2008, cash proceeds that were being held by a facilitator pending the completion of an IRC §1031 exchange were disbursed to acquire property and equipment

Acquisitions of property and equipment	\$ (11,420)	\$ ---
Deposits reserved for land acquisition	11,420	---



*The accompanying notes to 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 amounts)

(unaudited)

			Capital in	Unrealized	Total
		Common	Excess of	Gains (Losses)	Shareholders
Preferred Stock	Stock	Stock	Retained	on Marketable	
Shares	Amount	Shares			