

ADCARE HEALTH SYSTEMS INC  
Form 10-Q  
November 09, 2011  
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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

(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, 2011

**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.**

(Exact name of registrant as specified in its charter)

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**Ohio**  
(State or Other Jurisdiction  
of Incorporation)

**31-1332119**  
(IRS Employer Identification Number)

**5057 Troy Rd, Springfield, OH 45502-9032**

(Address of principal executive offices)

**(937) 964-8974**

(Registrant's telephone number)

**NA**

(Former name, former address, or 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. (Check one):

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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.

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As of September 30, 2011: 12,169,852 shares of common stock with no par value were outstanding

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## Item 1. Financial Statements

**ADCARE HEALTH SYSTEMS, INC. AND SUBSIDIARIES**

## CONSOLIDATED BALANCE SHEETS

	September 30, 2011 (Unaudited)	December 31, 2010
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 10,049,883	\$ 3,911,140
Restricted cash and cash equivalents	3,313,000	1,047,454
Accounts receivable:		
Long-term care resident receivables, net	18,708,063	10,943,963
Management receivables, net	189,534	271,224
Prepaid expenses and other	1,312,394	1,243,663
Total current assets	33,572,874	17,417,444
Restricted cash and investments	4,455,568	3,099,936
Property and equipment, net	83,802,347	37,606,301
Intangibles, net	26,336,253	16,159,845
Goodwill	2,679,482	2,679,482
Escrow deposits for acquisitions	700,000	1,725,086
Lease deposits	2,193,442	1,670,282
Other assets	4,545,571	2,600,530
Total assets	\$ 158,285,537	\$ 82,958,906
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current Liabilities:		
Current portion of notes payable and other debt	\$ 11,078,424	\$ 3,633,401
Accounts payable	10,094,939	3,411,772
Accrued expenses	11,798,044	9,664,325
Total current liabilities	32,971,407	16,709,498
Notes payable and other debt, net of current portion	101,148,162	47,210,995
Derivative liability	2,057,152	2,905,750
Other liabilities	1,641,269	1,267,429
Deferred tax liability	491,294	255,141
Total liabilities	138,309,284	68,348,813
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Preferred stock, no par value; 1,000,000 shares authorized; no shares issued or outstanding		
Common stock and additional paid-in capital, no par value; 29,000,000 shares authorized; 12,169,852 and 8,766,657 shares issued and outstanding	34,701,655	26,611,870

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Accumulated deficit	(14,183,047)	(12,548,870)
Total stockholders' equity	20,518,608	14,063,000
Noncontrolling interest in subsidiaries	(542,355)	547,093
Total equity	19,976,253	14,610,093
Total liabilities and stockholders' equity	\$ 158,285,537	\$ 82,958,906

See notes to consolidated financial statements

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## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<b>Revenues:</b>				
Patient care revenues	\$ 40,543,732	\$ 12,741,701	\$ 105,879,393	\$ 24,308,760
Management revenues	328,731	532,985	1,312,254	1,564,657
Total revenues	40,872,463	13,274,686	107,191,647	25,873,417
<b>Expenses:</b>				
Payroll and related payroll costs	21,963,988	8,243,065	59,182,571	16,269,039
Other operating expenses	14,372,765	4,618,960		