

CROSS COUNTRY HEALTHCARE INC
Form 10-Q
May 06, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended March 31, 2010

Or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Transition Period From _____ to _____

CROSS COUNTRY HEALTHCARE, INC.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
Incorporation or organization)*

0-33169
Commission

13-4066229
*(I.R.S. Employer
Identification Number)*

file number
6551 Park of Commerce Blvd, N.W.

Boca Raton, Florida 33487

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(Address of principal executive offices)(Zip Code)

(561) 998-2232

(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 Sections 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 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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" 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

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

Yes No

The registrant had outstanding 31,009,404 shares of Common Stock, par value \$0.0001 per share, as of April 30, 2010.

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

In addition to historical information, this Form 10-Q contains statements relating to our future results (including certain projections and business trends) that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and are subject to the safe harbor created by those sections. Words such as expects, anticipates, intends, plans, believes, estimates, suggests, seeks, will and variations of such words and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: our ability to attract and retain qualified nurses, physicians and other healthcare personnel, costs and availability of short-term housing for our travel healthcare professionals, demand for the healthcare services we provide, both nationally and in the regions in which we operate, the functioning of our information systems, the effect of existing or future government regulation and federal and state legislative and enforcement initiatives on our business, our clients' ability to pay us for our services, our ability to successfully implement our acquisition and development strategies, the effect of liabilities and other claims asserted against us, the effect of competition in the markets we serve, our ability to successfully defend the Company, its subsidiaries, and its officers and directors on the merits of any lawsuit or determine its potential liability, if any, and other factors set forth in Item 1.A. Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, as filed and updated in our Quarterly Reports on Form 10-Q and other filings with the Securities and Exchange Commission.

Although we believe that these statements are based upon reasonable assumptions, we cannot guarantee future results and readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date of this filing. There can be no assurance that (i) we have correctly measured or identified all of the factors affecting our business or the extent of these factors' likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct or (iv) our strategy, which is based in part on this analysis, will be successful. The Company undertakes no obligation to update or revise forward-looking statements.

All references to we, us, our, or Cross Country in this Quarterly Report on Form 10-Q mean Cross Country Healthcare, Inc., its subsidiaries and affiliates.

CROSS COUNTRY HEALTHCARE, INC.

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PART I. FINANCIAL INFORMATION**Item 1.****Condensed Consolidated Financial Statements****Cross Country Healthcare, Inc.****Condensed Consolidated Balance Sheets****(Unaudited, amounts in thousands)**

	March 31,		December 31,
	2010		2009
Current assets:			
Cash and short-term cash investments	\$ 13,305	\$	8,569
Accounts receivable, less allowance for doubtful accounts of \$4,474 in 2010 and \$4,545 in 2009	66,892		70,172
Deferred tax assets	12,399		11,794
Income taxes receivable	6,995		7,405
Other current assets	8,059		8,268
Total current assets	107,650		106,208
Property and equipment, net of accumulated depreciation of \$43,836 in 2010 and \$41,760 in 2009	17,819		19,706
Trademarks, net	62,784		62,858
Goodwill, net	130,367		130,701
Other identifiable intangible assets, net	27,537		28,572
Debt issuance costs, net	1,333		1,536
Non-current deferred tax assets	5,294		5,390
Other long-term assets	1,639		1,618
Total assets	\$ 354,423	\$	356,589
Current liabilities:			
Accounts payable and accrued expenses	\$ 7,894	\$	8,143
Accrued employee compensation and benefits	17,636		16,140
Current portion of long-term debt	5,676		5,733
Interest rate swaps-current	1,027		1,427
Other current liabilities	3,565		3,113
Total current liabilities	35,798		34,556
Long-term debt	51,566		56,781
Other long-term liabilities	19,459		19,181

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Total liabilities	106,823	110,518
Commitments and contingencies		
Stockholders' equity:		
Common stock	3	3
Additional paid-in capital	241,431	240,870
Accumulated other comprehensive loss	(3,146)	(2,979)
Retained earnings	9,312	8,177
Total stockholders' equity	247,600	246,071
Total liabilities and stockholders' equity	\$ 354,423	\$ 356,589

See accompanying notes to the condensed consolidated financial statements

Cross Country Healthcare, Inc.

Condensed Consolidated Statements of Income

(Unaudited, amounts in thousands, except per share data)

	Three Months Ended			
	March 31,			
	2010		2009	
Revenue from services	\$	121,361	\$	175,417
Operating expenses:				
Direct operating expenses		87,728		131,584
Selling, general and administrative expenses		27,885		33,438
Bad debt expense		211		(95)
Depreciation		2,153		2,305
Amortization		961		1,023
Total operating expenses		118,938		168,255
Income from operations		2,423		7,162
Other expenses (income):				
Foreign exchange loss (income)		43		(73)
Interest expense, net		1,056		1,701
Income before income taxes		1,324		5,534
Income tax expense		189		2,498
Net income	\$	1,135	\$	3,036
Net income per common share:				
Basic	\$	0.04	\$	0.10
Diluted	\$	0.04	\$	0.10
Weighted average common shares outstanding:				
Basic		31,009		30,775
Diluted		31,154		30,934

See accompanying notes to the condensed consolidated financial statements

Cross Country Healthcare, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited, amounts in thousands)

	Three Months Ended	
	March 31,	
	2010	2009
Operating activities		
Net income	\$ 1,135	\$ 3,036
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,153	2,305
Amortization	961	1,023
Bad debt expense	211	(95)
Deferred income tax benefit	(476)	(375)
Other noncash charges	715	765
Changes in operating assets and liabilities:		
Accounts receivable	3,020	13,238
Other current assets	210	450
Income taxes	496	1,834
Accounts payable and accrued expenses	1,360	3,368
Other liabilities	489	26
Net cash provided by operating activities	10,274	25,575
Investing activities		
Other acquisition related payments		(25)
Purchases of property and equipment	(271)	(974)
Net cash used in investing activities	(271)	(999)
Financing activities		
Repayment of debt	(6,772)	(17,137)
Proceeds from issuance of debt	1,500	1,500
Net cash used in financing activities	(5,272)	(15,637)
Effect of exchange rate changes on cash	5	(25)
Change in cash and cash equivalents	4,736	8,914
Cash and cash equivalents at beginning of period	8,569	10,173
Cash and cash equivalents at end of period	\$ 13,305	\$ 19,087

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See accompanying notes to the condensed consolidated financial statements

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CROSS COUNTRY HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1.

ORGANIZATION AND BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements include the accounts of Cross Country Healthcare, Inc. and its direct and indirect wholly-owned subsidiaries (collectively, the Company). All material intercompany transactions and balances have been eliminated in consolidation. The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements. The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These operating results are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. Typically, in the first quarter of the fiscal year, the Company's results are negatively impacted by the reset of payroll taxes.

Unless otherwise disclosed in the notes to the condensed consolidated financial statements, the estimated fair value of financial assets and liabilities approximates carrying value. Subsequent events have been evaluated through the filing date of these unaudited condensed consolidated financial statements.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2009 included in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission. The December 31, 2009 condensed consolidated balance sheet included herein was derived from the December 31, 2009 audited consolidated balance sheet included in the Company's Annual Report on Form 10-K.

Certain prior year amounts have been reclassified to conform to the current period presentation.

2.

COMPREHENSIVE INCOME

Total comprehensive income includes net income, foreign currency translation adjustments, net changes in the fair value of hedging transactions, and net changes in the fair value of marketable securities available for sale, net of any related deferred taxes.

The table that follows describes the components of comprehensive income in the three month periods ending March 31, 2010 and 2009:

Cross Country Healthcare, Inc.

Consolidated Statements of Other Comprehensive Income

(Amounts in thousands)

	Three Months Ended	
	March 31,	
	2010	2009
Net income	\$ 1,135	\$ 3,036
Other comprehensive (loss) income, before tax		
Foreign currency translation adjustments	(406)	(295)
Net change in fair value of hedging transactions	351	93
Net change in fair value of marketable securities	44	108
Other comprehensive loss, before tax	(11)	