CROSS COUNTRY HEALTHCARE INC
Form 10-Q
May 02, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

þ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended March 31, 2019
Or
o 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	0-33169	13-4066229
(State or other jurisdiction of Incorporation or organization)	Commission file number	(I.R.S. Employer Identification Number)

5201 Congress Avenue, Suite 100B
Boca Raton, Florida 33487
(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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.0001 per share	CCRN	The NASDAQ Stock Market

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 þ No o
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). þ Yes o 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 þ Non-accelerated filer ¨ (Do not check if a smaller reporting company)
Smaller Reporting Company ¨ Emerging growth company o

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. o

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

The registrant had outstanding 36,826,003 shares of Common Stock, par value $0.0001 per share, as of April 26, 2019.

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. Forward-looking statements consist of statements that are predictive in nature, depend upon or refer to future events. Words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, “suggests”, "appears", “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 cyber security risks and cyber incidents on our business, 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, including our ability to successfully integrate acquired businesses and realize synergies from such acquisitions, 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, 2018, 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 "the Company", “we”, “us”, “our”, or “Cross Country” in this Quarterly Report on Form 10-Q mean Cross Country Healthcare, Inc., and its consolidated subsidiaries.

CROSS COUNTRY HEALTHCARE, INC.

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FORM 10-Q

March 31, 2019

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CROSS COUNTRY HEALTHCARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, amounts in thousands)

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$18,286	$ 16,019
Accounts receivable, net of allowances of $3,811 in 2019 and $3,705 in 2018	154,758	166,128
Prepaid expenses	4,844	6,208
Insurance recovery receivable	7,003	4,186
Other current assets	1,593	2,364
Total current assets	186,484	194,905
Property and equipment, net of accumulated depreciation of $34,582 in 2019 and $33,476 in 2018	13,641	13,628
Operating lease right-of-use assets	20,965	—
Goodwill	101,081	101,060
Trade names	20,402	20,402
Other intangible assets, net	53,298	55,182
Non-current deferred tax assets	26,944	23,750
Other non-current assets	18,620	18,076
Total assets	$441,435	$ 427,003
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$48,143	$ 43,744
Accrued compensation and benefits	31,690	33,332
Current portion of long-term debt	—	5,235
Operating lease liabilities - current	5,063	—
Other current liabilities	4,892	3,075
Total current liabilities	89,788	85,386
Long-term debt, less current portion	75,489	77,944
Operating lease liabilities - non-current	22,426	—
Long-term accrued claims	29,887	29,299
Contingent consideration	4,812	7,409
Other long-term liabilities	3,023	8,767
Total liabilities	225,425	208,805
Commitments and contingencies		
Stockholders' equity:		
Common stock	4	4
Additional paid-in capital	302,802	303,048
Accumulated other comprehensive loss	(1,661)	(1,462)
Accumulated deficit	(85,829)	(84,062)

Total Cross Country Healthcare, Inc. stockholders' equity	215,316	217,528
Noncontrolling interest in subsidiary	694	670
Total stockholders' equity	216,010	218,198
Total liabilities and stockholders' equity	$441,435	$ 427,003

See accompanying notes to the condensed consolidated financial statements
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CROSS COUNTRY HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, amounts in thousands, except per share data)

	Three Months Ended March 31, 2019	2018
Revenue from services	$195,171	$210,288
Operating expenses:		
Direct operating expenses	146,917	156,535
Selling, general and administrative expenses	46,036	45,634
Bad debt expense	270	199
Depreciation and amortization	2,984	2,909
Acquisition-related contingent consideration	247	213
Acquisition and integration costs	265	115
Restructuring costs	1,140	435
Total operating expenses	197,859	206,040
(Loss) income from operations	(2,688)	4,248
Other expenses (income):		
Interest expense	1,422	1,266
Loss on early extinguishment of debt	360	—
Other income, net	(82)	(101)
(Loss) income before income taxes	(4,388)	3,083
Income tax (benefit) expense	(3,012)	1,163
Consolidated net (loss) income	(1,376)	1,920
Less: Net income attributable to noncontrolling interest in subsidiary	391	278
Net (loss) income attributable to common shareholders	$(1,767)	$1,642
Net (loss) income per share attributable to common shareholders - Basic	$(0.05)	$0.05
Net (loss) income per share attributable to common shareholders - Diluted	$(0.05)	$0.05
Weighted average common shares outstanding:		
Basic	35,700	35,803
Diluted	35,700	36,087

See accompanying notes to the condensed consolidated financial statements

CROSS COUNTRY HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited, amounts in thousands)

	Three Months Ended March 31,	
	2019	2018
Consolidated net (loss) income	$(1,376)	$1,920
Other comprehensive loss, before income tax:		
Unrealized foreign currency translation gain (loss)	72	(27)
Unrealized loss on interest rate contracts	(350)	(228)
Reclassification adjustment to interest expense	12	—
	(266)	(255)
Taxes on other comprehensive loss:		
Income tax expense (benefit) related to foreign currency translation adjustments	18	(4)
Income tax benefit related to unrealized gain on interest rate contracts	(88)	(57)
Income tax expense related to reclassification adjustment to interest expense	3	—
	(67)	(61)
Other comprehensive loss, net of tax	(199)	(194)
Comprehensive (loss) income	(1,575)	1,726
Less: Net income attributable to noncontrolling interest in subsidiary	391	278
Comprehensive (loss) income attributable to common shareholders	$(1,966)	$1,448

See accompanying notes to the condensed consolidated financial statements

CROSS COUNTRY HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, amounts in thousands)

	Common Stock Shares	Common Stock Dollars	Additional Paid-In Capital	Accumulated Other Comprehensive Loss, net	(Accumulated Deficit) Retained Earnings	Noncontrolling Interest in Subsidiary	Stockholders' Equity
Balances at December 31, 2017	35,838	$ 4	$ 305,362	$ (1,166)	$ (67,111)	$ 630	$ 237,719
Exercise of share options	8	—	—	—	—	—	—
Vesting of restricted stock and performance stock awards	102	—	(621)	—	—	—	(621)
Equity compensation	—	—	469	—	—	—	469
Stock repurchase and retirement	(242)	—	(2,885)	—	—	—	(2,885)
Foreign currency translation adjustment, net of taxes	—	—	—	(23)	—	—	(23)
Net change in hedging transaction, net of taxes	—	—	—	(171)	—	—	(171)
Distribution to noncontrolling shareholder	—	—	—	—	—	(308)	(308)
Net income	—	—	—	—	1,642	279	1,921
Balances at March 31, 2018	35,706	$ 4	$ 302,325	$ (1,360)	$ (65,469)	$ 601	$ 236,101
Balances at December 31, 2018	35,626	$ 4	$ 303,048	$ (1,462)	$ (84,062)	$ 670	$ 218,198
Exercise of share options	4	—	—	—	—	—	—
Vesting of restricted stock and performance stock awards	176	—	(777)	—	—	—	(777)
Equity compensation	—	—	531	—	—	—	531
Foreign currency translation adjustment, net of taxes	—	—	—	53	—	—	53
Net change in hedging transaction, net of taxes	—	—	—	(252)	—	—	(252)
Distribution to noncontrolling shareholder	—	—	—	—	—	(367)	(367)
Net (loss) income	—	—	—	—	(1,767)	391	(1,376)
Balances at March 31, 2019	35,806	$ 4	$ 302,802	$ (1,661)	$ (85,829)	$ 694	$ 216,010

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,	
	2019	2018
Cash flows from operating activities		
Consolidated net (loss) income	$(1,376)	$1,920
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	2,984	2,909
Provision for allowances	970	671
Deferred income tax (benefit) expense	(3,146)	825
Non-cash lease expense	1,254	—
Loss on early extinguishment of debt	360	—
Equity compensation	531	469
Other non-cash costs	365	322
Changes in operating assets and liabilities:		
Accounts receivable	10,400	12,598
Prepaid expenses and other assets	(1,477)	(477)
Accounts payable and accrued expenses	2,841	(5,786)
Operating lease liabilities	(1,399)	—
Other liabilities	480	(178)
Net cash provided by operating activities	12,787	13,273
Cash flows from investing activities		
Acquisition-related settlements	(136)	(24)
Purchases of property and equipment	(1,109)	(1,003)
Net cash used in investing activities	(1,245)	(1,027)
Cash flows from financing activities		
Principal payments on Term Loans	(7,500)	(1,250)
Debt issuance costs	(568)	—
Stock repurchase and retirement	—	(2,885)
Other	(1,227)	(1,014)
Net cash used in financing activities	(9,295)	(5,149)
Effect of exchange rate changes on cash	20	(13)
Change in cash and cash equivalents	2,267	7,084
Cash and cash equivalents at beginning of period	16,019	25,537
Cash and cash equivalents at end of period	$18,286	$32,621

See accompanying notes to the condensed consolidated financial statements

CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

Nature of Business

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). The condensed consolidated financial statements include all assets, liabilities, revenue, and expenses of Cross Country Talent Acquisition Group, LLC, which is controlled by the Company but not wholly-owned. The Company records the ownership interest of the noncontrolling shareholder as noncontrolling interest in subsidiary. All intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, all entries necessary for a fair presentation of such unaudited condensed consolidated financial statements have been included. These entries consisted of all normal recurring items.

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 United States generally accepted accounting principles (U.S. GAAP) for complete financial statements. These operating results are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

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, 2018 included in the Company’s Annual Report on Form 10-K as filed with the Securities and Exchange Commission. The December 31, 2018 condensed consolidated balance sheet included herein was derived from the December 31, 2018 audited consolidated balance sheet included in the Company’s Annual Report on Form 10-K.

Liquidity and Operations

On March 29, 2019, the Company amended the terms of its senior credit facility and subsequently made an optional prepayment of $7.5 million on its outstanding debt. As of March 31, 2019, the Company was in compliance with its financial covenants under its amended senior credit facility. See Note 8 - Debt.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the condensed consolidated financial statements and accompanying notes. Significant estimates and assumptions are used for, but not limited to: (1) the valuation of accounts receivable; (2) goodwill, trade names, and other intangible assets; (3) other long-lived assets; (4) share-based compensation; (5) accruals for health, workers’ compensation, and professional liability claims; (6) valuation of deferred tax assets; (7) purchase price allocation; (8) fair value of interest rate swap agreement; (9) legal contingencies; (10) contingent considerations; (11) income taxes; and (12) sales and other non-income tax liabilities. Accrued insurance claims and reserves include estimated settlements from known claims and actuarial estimates for claims incurred but not reported. Actual results could differ from those estimates.

Restructuring Costs

The Company considers restructuring activities to be programs whereby it fundamentally changes its operations, such as closing and consolidating facilities, reducing headcount, and realigning operations in response to changing market conditions. As a result, restructuring costs on the consolidated statements of operations include on-going benefit costs for its employees, exit costs, and other costs including write-offs related to abandoned locations.

Effective January 1, 2019, in conjunction with the adoption of ASC 842, certain office locations that the Company vacated in connection with restructuring activities were included in the measurement of its beginning operating lease liabilities. Previous accruals related to these locations of $0.3 million have been presented as a reduction to the operating lease right-of-use assets on the condensed consolidated balance sheets.

Reconciliation of the on-going benefit costs beginning and ending liability balance is presented below:

	On-Going Benefit Costs (amounts in thousands)
Balance at January 1, 2019	$ 556
Charged to restructuring costs	1,104
Payments	(373)
Balance at March 31, 2019	$ 1,287

Recently Adopted Accounting Pronouncements

Effective January 1, 2019, the Company adopted ASU No. 2016-02, Leases (Topic 842), which requires that, as lessee, leases, as defined by the standard, are to be recognized on the balance sheet as right-of-use assets and as lease liabilities. The Company elected not to apply the recognition requirements to short-term leases, and to apply the transition method, which is applied prospectively, measuring and recognizing the initial right-of-use asset and liability at January 1, 2019, without revising comparative period information or disclosure. In addition, the Company elected the package of transition provisions available for expired or existing contracts, which allowed the Company to forego assessment of: (1) whether contracts are or contain leases, (2) lease classification, and (3) initial direct costs. Consistent with current accounting, all of the Company's existing leases identified under ASC 840 will be treated as operating leases. The Company has also elected the practical expedient to not separate non-lease components from the lease components to which they relate, and instead account for each as a single lease component, for all of its underlying asset classes. Accordingly, all expenses associated with a lease contract are accounted for as lease expenses.

As of the later of January 1, 2019 or each lease’s respective commencement date, the Company recorded lease liabilities equal to the present value of its remaining minimum lease payments and right-of-use assets equal to the corresponding lease liability adjusted for any prepaid or accrued lease payments and the remaining balance of lease incentives received. At the transition date, the right of use asset and total lease liabilities were $22.0 million and $28.6 million, respectively. The difference between the right-of use-asset and lease liabilities is due to the derecognition of accrued lease payments of $7.2 million, previously included in other current and non-current liabilities, and prepaid rent of $0.6 million, previously included in prepaid expenses. See Note 10 - Leases.

3. REVENUE RECOGNITION

The Company's revenues, generated from temporary staffing services and other services, are disaggregated in the following table. Sales and usage-based taxes are excluded from revenue.

	Three Months ended March 31, 2019			
	Nurse And Allied Staffing Segment	Physician Staffing Segment	Search Services Segment	Total
	(amounts in thousands)			
Temporary Staffing Services	$ 172,653	$ 15,154	$ —	$ 187,807
Other Services	3,420	1,005	2,939	7,364
Total	$ 176,073	$ 16,159	$ 2,939	$ 195,171

Accounts receivable includes estimated revenue for the Company's employees', subcontracted employees', and independent contractors’ time worked but not yet invoiced. At March 31, 2019 and December 31, 2018, the Company's estimate of amounts that had been worked but had not been billed totaled $43.0 million and $44.1 million, respectively, and are included in accounts receivable on the Company's condensed consolidated balance sheets.

4. ACQUISITIONS

Advantage RN

Effective July 1, 2017, the Company acquired all of the assets of Advantage RN, LLC and its subsidiaries (collectively, Advantage) for cash consideration of $86.6 million, net of cash acquired. The total purchase price of $88.0 million was subject to a net working capital reduction of $0.6 million at the closing and an additional $0.8 million was received during the third quarter of 2017 as the final adjustment for net working capital. Additionally, $0.6 million of the purchase price was deferred as of the closing and was due to the seller within 20 months, less any Cobra and healthcare payments incurred by the Company on behalf of the seller. The Company incurred approximately $0.5 million in COBRA expenses since the Advantage acquisition and, in February 2019, released to the seller the remaining liability of $0.1 million.

Included in the amount paid at closing were two escrow accounts, the first was $14.5 million which related to tax liabilities and the second was $7.5 million which was to cover any post-close liabilities. On July 28, 2017, $7.3 million related to the tax liabilities was released from escrow, leaving a balance of $7.2 million. On April 3, 2019, $4.3 million related to the tax liabilities was disbursed to pay taxes and the remaining $2.9 million was released from escrow to the seller. In the first quarter of 2019, $7.0 million related to the post-close liabilities was released from escrow, leaving a balance of $0.5 million to cover pending post-close liabilities.

Mediscan

On October 30, 2015, the Company completed the acquisition of all of the membership interests of New Mediscan II, LLC, Mediscan Diagnostic Services, LLC, and Mediscan Nursing Staffing, LLC (collectively, Mediscan). In connection with the Mediscan acquisition, the Company assumed contingent purchase price liabilities for a previously acquired business that are payable annually based on specific performance criteria for the 2016 through 2019 years. Payments related to the years 2016 through 2018 were limited to $0.3 million and 2019 is uncapped. During the three months ended March 31, 2019 and 2018, the Company paid $0.1 million each period related to the years 2018 and 2017, respectively. As of March 31, 2019, the fair value of the remaining obligations was estimated at $7.8 million and is included in other current liabilities and contingent consideration on the condensed consolidated balance sheets. See Note 11 - Fair Value Measurements.

5. COMPREHENSIVE INCOME

Total comprehensive income (loss) includes net income or loss, foreign currency translation adjustments, and net change in derivative transactions, net of any related deferred taxes. Certain of the Company’s foreign subsidiaries use their respective local currency as their functional currency. In accordance with the Foreign Currency Matters Topic of the FASB ASC, assets and liabilities of these operations are translated at the exchange rates in effect on the balance sheet date. Income statement items are translated at the average exchange rates for the period. The cumulative impact of currency fluctuations related to the balance sheet translation is included in accumulated other comprehensive loss in the accompanying condensed consolidated balance sheets and was an unrealized loss of $1.2 million at March 31, 2019 and $1.3 million at December 31, 2018. The cumulative impact of net changes in derivative instruments included in other comprehensive loss in the condensed consolidated balance sheets was an unrealized loss of $0.4 million at March 31, 2019 and $0.2 million at December 31, 2018. See Note 9 - Derivative.

The income tax impact related to components of other comprehensive income (loss) for the three months ended March 31, 2019 and 2018 is reflected on the condensed consolidated statements of comprehensive income.

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6. EARNINGS PER SHARE

The following table sets forth the components of the numerator and denominator for the computation of the basic and diluted earnings per share:

	Three Months Ended March 31, 2019	2018
	(amounts in thousands, except per share data)	
Numerator:		
Net (loss) income attributable to common shareholders - Basic and Diluted	$(1,767)	$1,642
Denominator:		
Weighted average common shares - Basic	35,700	35,803
Effective of diluted shares:		
Share-based awards	—	284
Weighted average common shares - Diluted	35,700	36,087
Net (loss) income per share attributable to common shareholders - Basic	$(0.05)	$0.05
Net (loss) income per share attributable to common shareholders - Diluted	$(0.05)	$0.05

For the three months ended March 31, 2019 and 2018, no tax benefits were assumed in the weighted average share calculation due to the Company's net operating loss position.

Due to the net loss for the three months ended March 31, 2019, 97,184 shares were excluded from diluted weighted average shares.

7. GOODWILL, TRADE NAMES, AND OTHER INTANGIBLE ASSETS

The Company had the following acquired intangible assets:

	March 31, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(amounts in thousands)					
Intangible assets subject to amortization:						
Databases	$30,530	$ 9,979	$20,551	$30,530	$ 9,216	$21,314
Customer relationships	49,758	24,121	25,637	49,758	23,296	26,462
Non-compete agreements	320	113	207	320	97	223
Trade names	8,879	1,976	6,903	8,879	1,696	7,183
Other intangible assets, net	$89,487	$ 36,189	$53,298	$89,487	$ 34,305	$55,182
Intangible assets not subject to amortization:						
Trade names			20,402			20,402
			$73,700			$75,584

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As of March 31, 2019, estimated annual amortization expense is as follows:

Years Ending December 31:	(amounts in thousands)
2019	$ 5,651
2020	7,431
2021	7,131
2022	6,780
2023	6,677
Thereafter	19,628
	$ 53,298

As of March 31, 2019, the Company performed a qualitative assessment of each of its reporting units and determined it was not more likely than not that the fair value of its reporting units dropped below their carrying value. As a result, management concluded that no impairment testing was warranted as of March 31, 2019. Although management believes that the Company's current estimates and assumptions are reasonable and supportable, there can be no assurance that the estimates and assumptions made for purposes of the impairment testing will prove to be accurate predictions of future performance.

As of March 31, 2019, goodwill by reporting segment was: $88.9 million for Nurse and Allied Staffing, $2.8 million for Physician Staffing, and $9.4 million for Search Services, totaling $101.1 million.

8. DEBT

The Company's long-term debt consists of the following:

	March 31, 2019		December 31, 2018	
	Principal	Debt Issuance Costs	Principal	Debt Issuance Costs
	(amounts in thousands)			
Term Loan, interest 5.5% and 4.8% at March 31, 2019 and December 31, 2018, respectively	$76,377	$ (888)	$83,876	$ (697)
Less current portion	—	—	(5,235)	—
Long-term debt	$76,377	$ (888)	$78,641	$ (697)

Amended and Restated Senior Credit Facility

On March 29, 2019, the Company entered into a Second Amendment (Second Amendment) to its Amended and Restated Credit Agreement that, among other administrative changes, modifies the following: (1) changes the financial leverage ratio from Consolidated Total Leverage to Consolidated Net Leverage and permits a maximum Consolidated Net Leverage Ratio of 4.60:1.00 for the periods of December 31, 2018 through June 30, 2019, 4.25:1:00 for the period ended September 30, 2019, to 4.00:1.00 for the period ended December 31, 2019, 3.75:1.00 for the period ended March 31, 2020, 3.50:1.00 for the period ending June 30, 2020, 3.25:1.00 for the period ending September 30, 2020, and maintains 3.00:1:00 for the periods thereafter and as adjusted pursuant to a Specified and Qualified Permitted Acquisition (as defined therein); (2) the Applicable Margin definition has been revised to: modify Level V to be greater than or equal to 3.00:1.00 but less than 3.50:1.00; adds an additional Level VI if the Consolidated Net Leverage is greater than or equal to 3.50:1.00 but less than 4.00:1.00; and adds an additional Level VII if Consolidated Net Leverage Ratio is greater than 4.00:1.00. The added Levels VI and VII result in an increase in the Applicable Margin for borrowing from their respective prior Levels by 25 basis points for each and an increase of

5 basis points to the Commitment Fee for each; (3) adds an additional financial covenant for the quarters ending March 31, 2019 through and including the quarter ending December 31, 2019, that requires the Consolidated Asset Coverage Ratio to be no less than 1.10:1.00; and (4) the exercise of a $40.0 million Optional Reduction of the Aggregate Revolving Commitments from $115 million to $75 million.

The Second Amendment has been treated as a modification and accordingly, the fees of $0.6 million paid to its lenders in connection with the amendment are included as $0.3 million of debt issuance costs associated with the revolving credit agreement, and $0.3 million as a reduction to the carrying amount of the term loan. The fees will be amortized to interest expense over the term of the arrangement. In addition, in the three months ended March 31, 2019, $0.3 million of debt issuance costs was written off due to the reduction in borrowing capacity under the revolving credit facility, which is included in loss on early extinguishment on the consolidated statement of operations.

On March 29, 2019, the Company also made an optional prepayment of $7.5 million on its Term Loan, which has been allocated to the next five scheduled quarterly payments and a portion of the sixth payment. The Company has the right at any time and from time to time to prepay any borrowing, in whole or in part, without premium or penalty, by giving written notice (or telephonic notice promptly confirmed in writing). The Company is required to prepay the Amended Credit Facilities under certain circumstances including from net cash proceeds from asset sales or dispositions in excess of certain thresholds, as well as from net cash proceeds from the issuance of certain debt by the Company.

As of March 31, 2019, the aggregate scheduled maturities of the term loan are as follows:

	Term Loan (amounts in thousands)
Through Years Ending December 31:	
2019	$ —
2020	3,407
2021	6,980
2022	65,990
2023	—
Thereafter	—
Total	$ 76,377

Subject to the Amended and Restated Credit Agreement, the Company pays interest on: (i) each Base Rate Loan at the Base Rate (as defined therein) plus the Applicable Margin in effect from time to time, (ii) each LIBOR Index Rate Loan at the One Month LIBOR Index Rate (as defined therein) plus the Applicable Margin in effect from time to time, and (iii) each Eurodollar Loan at the Adjusted LIBOR for the applicable Interest Period (as defined therein) in effect for such Loan plus the Applicable Margin in effect from time to time. The Applicable Margin, as of any date, is a percentage per annum determined by reference to the applicable Consolidated Net Leverage Ratio (as defined by the agreement) in effect on such date.

As of March 31, 2019, the Amended Term Loan and Amended Revolving Credit Facility bore interest at a rate equal to One Month LIBOR plus 3.00%. The interest rate is subject to an increase of 2.00% if an event of default exists under the Amended and Restated Credit Agreement. The Company is required to pay a commitment fee on the average daily unused portion of the Amended Revolving Credit Facility, based on the Applicable Margin which is 0.45% as of March 31, 2019. During the three months ended March 31, 2018, the Company entered into an interest rate swap to reduce its exposure to fluctuations in the interest rates associated with its debt, which was effective April 2, 2018. See Note 9 - Derivative.

The Amended and Restated Credit Agreement contains customary representations, warranties, and affirmative covenants. The Amended and Restated Credit Agreement also contains customary negative covenants, subject to some exceptions, on: (i) indebtedness and preferred equity, (ii) liens, (iii) fundamental changes, (iv) investments, (v) restricted payments, and (vi) sale of assets and certain other restrictive agreements. The Amended and Restated Credit Agreement also contains customary events of default, such as payment defaults, cross-defaults to other material indebtedness, bankruptcy and insolvency, the occurrence of a defined change in control and the failure to observe the negative covenants and other covenants related to the operation of the Company's business.

In addition to the Consolidated Total Leverage ratio and the Consolidated Asset Coverage ratio mentioned previously, the Amended and Restated Credit Agreement also includes a financial covenant of a minimum Consolidated Fixed Charge Coverage ratio (as defined therein) as of the end of each fiscal quarter of 1.50:1.00. As of March 31, 2019, the Company was in compliance with all of the financial covenants and other covenants contained in the Amended and Restated Credit Agreement.

The obligations under the Amended and Restated Credit Agreement are guaranteed by all of the Company’s domestic wholly-owned subsidiaries and are secured by a first-priority security interest in the Collateral (as defined therein). As of March 31, 2019, the Company had $20.6 million letters of credit outstanding, which relate to the Company’s workers’ compensation and professional liability insurance policies.

9. DERIVATIVE

The Company has an interest rate swap agreement that, at initiation, effectively fixed the interest rate on 50% of the amortizing balance of the Company's term debt, exclusive of the credit spread on the debt. The interest rate swap agreement requires the Company to pay a fixed rate to the respective counterparty of 2.627% per annum on an amortizing notional amount corresponding with the initial term loan payment schedule, and to receive from the respective counterparty, interest payments based on the applicable notional amounts and 1 month USD LIBOR, with no exchanges of notional amounts. As of March 31, 2019 and December 31, 2018, the interest rate swap is treated as a cash flow hedge and its fair value of a $0.6 million liability and a $0.2 million liability, respectively, is included in current and non-current liabilities on the consolidated balance sheets. See Note 11 - Fair Value Measurements.

10. LEASES

The Company has lease contracts related to the rental of office space, housing for its healthcare professionals on assignments, and other equipment rentals. The Company's lease population included in the recognition of its beginning right-of-use asset and lease liabilities under the new standard is substantially related to its office locations. The Company enters into lease agreements as lessee for the rental of office space for both its corporate and branch locations that may include options to extend or terminate early. Many of these real estate leases require variable payments of property taxes, insurance, and common area maintenance, in addition to base rent. The variable portion of these lease payments is not included in the right-of-use assets or lease liabilities. Rather, variable payments, other than those dependent upon an index or rate, are expensed when the obligation for those payments is incurred and are included in lease expense in selling, general and administrative expense on the condensed consolidated statement of operations. These leases do not include residual value guarantees, covenants, or other restrictions. Certain of the leases have provisions for free rent months during the lease term and/or escalating rent payments. In addition, particularly for the Company's longer-term leases for its corporate offices, it has received incentives to enter into the leases such as receiving up to a specified dollar amount to construct tenant improvements. Pursuant to ASC 840, these lease incentives resulted in deferred rent credits. Upon adoption of the ASC 842, these deferred rent credits reduced the beginning operating right-of-use asset recognized and, consistent with the prior guidance will be recognized as a reduction to future rent expense over the expected remaining term of the respective leases.

The Company determines whether an arrangement constitutes a lease and records lease liabilities and right-of-use assets on its consolidated balance sheets at lease commencement. Lease liabilities are measured based on the present value of the total lease payments not yet paid discounted based on its incremental borrowing rate, as the rate implicit in the lease is not determinable. Its incremental borrowing rate is estimated based on what it would be required to pay for a collateralized borrowing equal to the total lease payments over the term of the lease. As such, the Company estimates its incremental borrowing rate based on an analysis of publicly traded debt securities of companies with credit and financial profiles similar to its own. Right-of-use assets are measured based on the corresponding lease liability adjusted for: (i) payments made to the lessor at or before the commencement date, (ii) initial direct costs, and (iii) tenant incentives under the lease. Rent expense commences when the lessor makes the underlying asset available to us. The Company does not assume renewals or early terminations unless it is reasonably certain to exercise these options at commencement. For short-term leases, rent expense is recognized in the condensed consolidated statements of operations on a straight-line basis over the lease term.

The table below presents the lease-related assets and liabilities included on the condensed consolidated balance sheets:

Classification on Condensed Consolidated Balance Sheets:	March 31, 2019
	(amounts in thousands)
Operating lease right-of-use assets	$ 20,965

Operating lease liabilities - current		$ 5,063
Operating lease liabilities - non-current		$ 22,426
Weighted-average remaining lease term	5.3 years	
Weighted average discount rate (a)	6.24 %	

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(a) Upon adoption of the new lease standard, discount rates used for existing leases were established at January 1, 2019.

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the operating lease liabilities (which do not include short-term leases) recorded on the condensed consolidated balance sheets:

Years Ending December 31:	(amounts in thousands)
2019	$ 4,914
2020	6,572
2021	5,702
2022	4,929
2023	4,702
Thereafter	5,869
Total minimum lease payments	32,688
Less: amount of lease payments representing interest	(5,199)
Present value of future minimum lease payments	27,489
Less: current lease obligations	(5,063)
Non-current lease obligations	$ 22,426

Future minimum lease payments, as of December 31, 2018, associated with non-cancelable operating lease agreements with terms of one year or more are as follows:

Years Ending December 31:	(amounts in thousands)
2019	$ 7,451
2020	6,287
2021	5,407
2022	4,857
2023	4,700
Thereafter	5,893
Total minimum lease payments	$ 34,595

Other Information

The table below provides information regarding supplemental cash flows:

	March 31, 2019 (amounts in thousands)
Supplemental Cash Flow Information:	
Cash paid for amounts included in the measurement of operating lease liabilities	$ 1,845
ROU	