

ADCARE HEALTH SYSTEMS INC  
Form 8-K  
May 18, 2009

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report: May 18, 2009

Date of Earliest Event Reported: May 18, 2009

**AdCare Health Systems, Inc.**

*(Exact Name of Registrant as specified in its Charter)*

**Ohio**

*(State or other jurisdiction of*

*incorporation or organization)*

**31-1332119**

*(I.R.S. Employer Identification No.)*

**5057 Troy Rd, Springfield, OH**

*(Address of principal executive offices)*

**45502-9032**

*(Zip Code)*

**Registrant's Telephone Number, Including Area Code**

**(937) 964-8974**

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Check the appropriate box below if the form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (See General Instruction A2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c)).

**Item 2.02. Financial Statements and Exhibits.**

On Monday, May 18, 2009, AdCare Health Systems, Inc. (the Company ) issued a press release announcing its financial results for the three months ended March 31, 2009. A copy of this press release is furnished as Exhibit 99.1 hereto. Pursuant to the rules and regulations of the Securities and Exchange Commission, the information in this Current Report on Form 8-K, including the attached exhibit and the information set forth therein, shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed to be incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, regardless of any general incorporation language in such filing.

**Item 9.01. Financial Statements and Exhibits.**

Exhibits

| <u>Exhibit Number</u> | <u>Description of Exhibit</u>    |
|-----------------------|----------------------------------|
| 99.1                  | Press Release dated May 18, 2009 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereto duly authorized.

Date: May 18, 2009

ADCARE HEALTH SYSTEMS, INC.

By: /s/ Scott Cunningham

Name: Scott Cunningham

Title: Chief Financial Officer

**EXHIBIT INDEX**

| <b>Exhibit No.</b> | <b>Description</b>   |
|--------------------|--|
| 99.1               | AdCare Health Systems, Inc. Press Release, dated May 18, 2009. |

Press Release

**AdCare Health Systems, Inc. Turns Profitable  
Earnings Results**

**Reports 2009 First Quarter**

SPRINGFIELD, OHIO, May 18, 2009 /PRNewswire-FirstCall/ AdCare Health Systems, Inc. (NYSE AMEX: ADK), an Ohio-based long-term care, home health care and management company, today reported financial results for its first quarter of 2009.

Revenues for the quarter ended March 31<sup>st</sup>, 2009 were \$6,384,889 as compared to \$5,992,542 for the same quarter in 2008, an increase of \$392,347. The increase was primarily due to improved occupancy at its assisted living communities, an increase in Medicare patients at its nursing homes, and the acquisition of the Lincoln Lodge.

Income from operations for the quarter ended March 31, 2009 was \$403,926 as compared to \$155,195 for the first quarter ended March 31, 2008, an increase of \$248,731. Net income for the quarter ended March 31, 2009 was \$95,814 as compared to a net loss of \$139,468 for the quarter ended March 31, 2008, an increase of \$235,282. Basic and diluted net income per share for the three months ended March 31, 2009 was \$0.03 as compared to a net loss per share of \$0.02 for the three months ended March 31, 2008, an improvement of \$0.05 per share for the quarter.

David A. Tenwick, Chairman of AdCare, stated "I am pleased that the Company has turned profitable and continues to make progress. It is a testament to the strength of our senior management team to have made such considerable financial improvements during this economic downturn." He continued, "AdCare has improved its working capital by \$490,000 since year end. The Company's current liabilities are only about \$50,000 more than its current assets which is a significant improvement from year end. In addition, EBITDA (earnings before interest, taxes, depreciation and amortization) was \$629,234 for the first quarter as compared to \$381,889 for the first quarter last year, an increase of \$247,345 or 65%."

About AdCare Health Systems, Inc.

AdCare Health Systems, Inc. (NYSE AMEX: ADK) develops, owns and manages assisted living facilities, nursing homes and retirement communities and provides home health care services. Prior to becoming a publicly traded company in November of 2006, AdCare operated as a private company for 18 years. AdCare's 900 employees provide high-quality care for patients and residents residing in the 14 facilities that they manage, six of which are assisted

living facilities, six skilled nursing centers and two independent senior living communities. The Company has ownership interests in eight of those facilities. In the ever expanding marketplace of long-term care, AdCare's mission is to provide quality healthcare services to the elderly.

#### Safe Harbor Statement

Statements contained in this press release that are not historical facts may be forward-looking statements within the meaning of federal law. Such forward-looking statements reflect management's beliefs and assumptions and are based on information currently available to management. The forward-looking statements involve known and unknown risks, results, performance or achievements of the Company to differ materially from those expressed or implied in such statements. Such factors are identified in the public filings made by the Company with the Securities and Exchange Commission and include the Company's ability to secure lines of

credit and/or an acquisition credit facility, find suitable acquisition properties at favorable terms, changes in the health care industry because of political and economic influences, changes in regulations governing the industry, changes in reimbursement levels including those under the Medicare and Medicaid programs and changes in the competitive marketplace. There can be no assurance that such factors or other factors will not affect the accuracy of such forward-looking statements.

Contact:

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Manager of Corporate Communications

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[www.adcarehealth.com](http://www.adcarehealth.com)

**ADCARE HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**

|   | March 31,<br>2009<br>(Unaudited) | December 31,<br>2008 |
|---|----------------------------------|----------------------|
| <u>ASSETS</u>   |                                  |                      |
| Current Assets:   |                                  |                      |
| Cash  | \$ 1,552,019                     | \$ 1,266,315         |
| Accounts receivable:                                      |                                  |                      |
| Long-term care resident receivables, net                  | 1,836,336                        | 2,008,847            |
| Management, consulting and development receivables, net   | 285,979                          | 258,811              |
| Advances and receivables from affiliates                  | 23,081                           | 17,635               |
| Prepaid expenses and other                                | 516,373                          | 478,534              |
| Total current assets                                      | 4,213,788                        | 4,030,142            |
| Restricted cash   | 1,141,777                        | 1,155,596            |
| Property and equipment, net                               | 16,622,981                       | 16,772,660           |
| License, net  | 1,189,307                        | 1,189,307            |
| Goodwill  | 2,679,482                        | 2,679,482            |
| Other assets  | 922,573                          | 1,012,340            |
| Total assets  | \$ 26,769,908                    | \$ 26,839,527        |
| <u>LIABILITIES AND<br/>STOCKHOLDERS' EQUITY</u>           |                                  |                      |
| Current Liabilities:                                      |                                  |                      |
| Current portion of notes payable and other debt           | \$ 725,242                       | \$ 713,323           |
| Current portion of notes payable to stockholder           | 9,432                            | 9,432                |
| Accounts payable  | 836,203                          | 1,009,002            |
| Accrued expenses  | 2,693,637                        | 2,838,407            |
| Total current liabilities                                 | 4,264,513                        | 4,570,164            |
| Notes payable and other debt, net of current portion      | 16,824,813                       | 16,974,788           |
| Notes payable to stockholder, net of current portion      | 32,594                           | 34,626               |
| Other liabilities   | 549,055                          | 299,314              |
| Income tax payable  | 180,649                          | 170,007              |
| Total liabilities   | 21,851,623                       | 22,048,899           |
| Stockholders' equity:                                     |                                  |                      |
| Preferred stock, no par value; 500,000 shares authorized; |                                  |                      |

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|  |               |               |
|--|---------------|---------------|
| no shares issued or outstanding  | -             | -             |
| Common stock and additional paid-in capital, no par value;               |               |               |
| 14,500,000 shares authorized; 3,786,129 shares issued<br>and outstanding | 14,790,692    | 14,766,967    |
| Accumulated deficit  | (10,149,718)  | (10,245,532)  |
| Total stockholders' equity   | 4,640,974     | 4,521,435     |
| Noncontrolling interest in subsidiaries                                  | 277,311       | 269,193       |
| Total equity   | 4,918,285     | 4,790,628     |
| Total liabilities and stockholders' equity                               | \$ 26,769,908 | \$ 26,839,527 |

See notes to consolidated financial statements

**ADCARE HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
(Unaudited)

|  | Three Months Ended March 31, |                     |
|--|------------------------------|---------------------|
|  | 2009                         | 2008                |
| <b>Revenues:</b>   |                              |                     |
| Patient care revenues  | \$ 5,916,835                 | \$ 5,568,061        |
| Management, consulting and development fee revenue                   | 468,054                      | 424,481             |
| Total revenue  | 6,384,889                    | 5,992,542           |
| <b>Expenses:</b>   |                              |                     |
| Payroll and related payroll costs                                    | 3,737,729                    | 3,587,397           |
| Other operating expenses   | 2,017,926                    | 2,023,256           |
| Depreciation and amortization  | 225,308                      | 226,694             |
| Total expenses   | 5,980,963                    | 5,837,347           |
| <b>Income from Operations</b>  | <b>403,926</b>               | <b>155,195</b>      |
| <b>Other Income (Expense):</b>                                       |                              |                     |
| Interest income  | 1,308                        | 9,133               |
| Interest expense, others   | (294,142)                    | (226,352)           |
| Interest expense, related parties                                    | (718)                        | (14,872)            |
| Other expense  | 4,200                        | -                   |
|  | (289,352)                    | (232,092)           |
| <b>Income (Loss ) Before Income Taxes</b>                            | <b>114,574</b>               | <b>(76,896)</b>     |
| <b>Income Tax Expense</b>  | <b>(10,642)</b>              | <b>(10,642)</b>     |
| <b>Net Income (Loss)</b>   | <b>103,932</b>               | <b>(87,538)</b>     |
| <b>Net Income Attributable to Noncontrolling Interest</b>            | <b>(8,118)</b>               | <b>(51,930)</b>     |
| <b>Net Income (Loss) Attributable to AdCare Health Systems, Inc.</b> | <b>\$ 95,814</b>             | <b>\$ (139,468)</b> |
| <b>Net Income (Loss) Per Share, Basic</b>                            | <b>\$ 0.03</b>               | <b>\$ (0.02)</b>    |
| <b>Net Income (Loss) Per Share, Diluted</b>                          | <b>\$ 0.03</b>               | <b>\$ (0.02)</b>    |
| <b>Weighted Average Common Shares Outstanding,</b>                   |                              |                     |
| Basic  | 3,786,129                    | 3,786,129           |
| Diluted  | 3,815,820                    | 3,786,129           |

See notes to consolidated financial statements

**ADCARE HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY**  
(Unaudited)

|   | Total       | Accumulated<br>Deficit | Common<br>Stock<br>and<br>Additional<br>Paid-in<br>Capital | Noncontrolling<br>Interest |
|---|-------------|------------------------|--|----------------------------|
| Balance, December 31, 2008:                                   | \$4,790,628 | \$(10,245,532)         | \$14,766,967   | \$269,193                  |
| Warrants issued in connection<br>with consulting<br>agreement | 12,567      | -                      | 12,567   | -                          |
| Stock option compensation<br>expense                          | 11,158      | -                      | 11,158   | -                          |
| Net income  | 95,814      | 95,814                 | -  | -                          |
| Net income attributable to<br>noncontrolling interest         | 8,118       | -                      | -  | 8,118                      |
| Balance, March 31, 2009                                       | \$4,918,285 | \$(10,149,718)         | \$14,790,692   | \$277,311                  |

See notes to consolidated financial statements

**ADCARE HEALTH SYSTEMS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

|  | Three-Months Ended March 31, |              |
|--|------------------------------|--------------|
|  | 2009                         | 2008         |
| Cash flows from operating activities:  |                              |              |
| Net Income (Loss)  | \$ 95,814                    | \$ (139,468) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                              |              |
| Depreciation and amortization  | 225,308                      | 226,694      |
| Warrants issued for services   | 24,742                       | 7,512        |
| Stock option compensation expense  | 11,158                       | 9,576        |
| Minority interest  | 8,118                        | 51,930       |
| Note receivable forgiveness exchanged for rent   | -                            | 9,000        |
| Changes in certain assets and liabilities:   |                              |              |
| Accounts receivable  | 139,897                      | (110,987)    |
| Prepaid expenses and other   | (55,028)                     | 24,640       |
| Other assets   | 89,766                       | (100,614)    |
| Accounts payable and accrued expenses  | (317,570)                    | 9,343        |
| Income tax liability   | 10,642                       | 10,642       |
| Other liabilities  | 249,741                      | 9,730        |
| Net cash provided by operating activities  | 482,588                      | 7,998        |
| Cash flows from investing activities:  |                              |              |
| Increase in restricted cash  | 13,819                       | 230,811      |
| Purchase of property plant and equipment   | (70,615)                     | (157,373)    |
| Net cash (used in) provided by investing activities                                      | (56,796)                     | 73,438       |
| Cash flows from financing activities:  |                              |              |
| Proceeds from notes payable  | 2,768                        | -            |
| Repayment of notes payable to stockholder  | (2,032)                      | -            |
| Prepaid financing costs  | -                            | 1,786        |
| Repayment on notes payable   | (140,824)                    | (123,847)    |
| Net cash used in financing activities  | (140,088)                    | (122,061)    |
| Net Increase (Decrease) in Cash  | 285,704                      | (40,625)     |
| Cash, Beginning  | 1,266,315                    | 926,625      |
| Cash, Ending   | \$ 1,552,019                 | \$ 886,000   |

Supplemental Disclosure of Cash Flow Information:

|  |            |            |
|--|------------|------------|
| Cash paid during the year for interest | \$ 292,528 | \$ 265,760 |
|--|------------|------------|

Supplemental Disclosure of Non-Cash Activities:

|   |      |          |
|---|------|----------|
| Rent in exchange of note receivable repayment | \$ - | \$ 9,000 |
|---|------|----------|

See notes to consolidated financial statements.