

Apollo Medical Holdings, Inc.
Form 10-Q
November 16, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2015**

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

Commission File No.

000-25809

Apollo Medical Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

46-3837784

State of Incorporation IRS Employer Identification No.

700 North Brand Blvd., Suite 1400

Glendale, California 91203

(Address of principal executive offices)

(818) 396-8050

(Issuer's telephone number)

(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	Name of each Exchange on which Registered
	None

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, \$.001 Par Value

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 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, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer Accelerated filer

Non-accelerated filer 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

As of November 10, 2015, there were 4,863,389 shares of common stock, \$.001 par value per share, issued and outstanding.

APOLLO MEDICAL HOLDINGS, INC.

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Forward-Looking Statements

This document contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words “may,” “could,” “will,” “estimate,” “intend,” “continue,” “believe,” “expect,” “anticipate” or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Except as required by the federal securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. Some of the key factors impacting these risks and uncertainties include, but are not limited to:

- risks related to our ability to raise capital;

- the ability to service the debt and maintain compliance with the financial covenants established under the credit agreement and related financing agreements entered into with NNA of Nevada, Inc. (“NNA”) in 2014;

- the impact of rigorous competition in the healthcare industry generally;

- the impact on our business, if any, as a result of changes in the way market share is measured by third parties;

- our dependence on a few larger payors;

- whether or not we receive an “all or nothing” annual payment from the Centers for Medicare & Medicaid Services (“CMS”) in connection with our participation in the Medicare Shared Savings Program (the “MSSP”);

• changes in Federal and state programs and policies regarding medical reimbursements and capitated payments for health services we provide;

• the overall success of our acquisition strategy and the integration of any acquired assets with our existing operations;

• industry-wide market factors and regulatory and other developments affecting our operations;

• economic uncertainty;

• the impact of any potential future impairment of our assets;

• risks related to changes in accounting interpretations; and

the impact, including additional costs, of mandates and other obligations that may be imposed upon us as a result of new federal healthcare laws, including the Affordable Care Act, the rules and regulations promulgated thereunder and any executive action with respect thereto.

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see the section entitled “Risk Factors,” beginning on page 26 of our Annual Report on Form 10-K/A for the year ended March 31, 2015 filed on July 27, 2015.

PART I FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****APOLLO MEDICAL HOLDINGS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(UNAUDITED)**

	September 30, 2015	March 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,924,922	\$ 5,014,242
Accounts receivable, net	4,015,715	3,801,584
Other receivables	289,064	208,288
Due from affiliates	20,052	36,397
Prepaid expenses	410,013	278,922
Deferred financing costs, net, current	-	513,646
Total current assets	8,659,766	9,853,079
Deferred financing costs, net, non-current	217,963	264,708
Property and equipment, net	577,701	582,470
Restricted cash	530,000	530,000
Intangible assets, net	1,283,163	1,377,257
Goodwill	2,168,833	2,168,833
Other assets	212,146	218,716
TOTAL ASSETS	\$ 13,649,572	\$ 14,995,063
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,944,470	\$ 3,352,204
Medical liabilities	1,337,187	1,260,549
Note and line of credit payable, net of discount, current portion	7,282,448	327,141
Convertible notes payable, net of discount, current portion	2,549,476	1,037,818
Warrant liability	1,315,846	-
Total current liabilities	17,429,427	5,977,712

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Notes payable, net of discount, non-current portion	-	6,234,721
Convertible notes payable, net of discount	-	1,457,103
Warrant liability	-	2,144,496
Deferred tax liability	177,344	171,215
Total liabilities	17,606,771	15,985,247

COMMITMENTS AND CONTINGENCIES AND SUBSEQUENT EVENTS
(NOTES 10 and 11)

STOCKHOLDERS' DEFICIT

Preferred stock, par value \$0.001; 5,000,000 shares authorized; none issued	-	-
Common Stock, par value \$0.001; 100,000,000 shares authorized, 4,863,389 shares issued and outstanding as of September 30, 2015 and March 31, 2015	4,863	4,863
Additional paid-in-capital	16,670,718	16,517,985
Accumulated deficit	(22,354,252)	(19,340,521)
Stockholders' deficit attributable to Apollo Medical Holdings, Inc.	(5,678,671)	(2,817,673)
Non-controlling interest	1,721,472	1,827,489
Total stockholders' deficit	(3,957,199)	(990,184)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 13,649,572	\$ 14,995,063

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

APOLLO MEDICAL HOLDINGS, INC.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME****(UNAUDITED)**

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
Net revenues	\$ 11,369,607	\$ 11,665,294	\$ 21,573,734	\$ 15,759,780
Costs and expenses				
Cost of services	8,264,189	6,161,645	15,832,057	9,421,484
General and administrative	3,440,641	3,451,907	7,677,846	5,461,239
Depreciation and amortization	77,684	193,281	141,435	205,180
Total costs and expenses	11,782,514	9,806,833	23,651,338	15,087,903
(Loss) income from operations	(412,907)	1,858,461	(2,077,604)	671,877
Other (expense) income				
Interest expense	(68,818)	(329,258)	(429,220)	(606,125)
Gain (loss) on change in fair value of warrant and conversion feature liabilities	96,852	152,140	(116,866)	122,135
Other	(95,092)	(58,436)	5,912	(60,912)
Total other expense	(67,058)	(235,554)	(540,174)	(544,902)
(Loss) income before provision for income taxes	(479,965)	1,622,907	(2,617,778)	126,975
Income tax (benefit) provision	(186,138)	86,989	(93,447)	98,591
Net (loss) income	(293,827)	1,535,918	(2,524,331)	28,384
Net income attributable to non-controlling interest	(237,539)	(159,608)	(489,401)	(329,815)
Net (loss) income attributable to Apollo Medical Holdings, Inc.	\$ (531,366)	\$ 1,376,310	\$ (3,013,732)	\$ (301,431)
Other comprehensive gain:				
Unrealized gain on change in value of marketable securities	-	14,499	-	33,088
Comprehensive (loss) income	\$ (531,366)	\$ 1,390,809	\$ (3,013,732)	\$ (268,343)
NET LOSS PER SHARE:				
BASIC	\$ (0.11)	\$ 0.28	\$ (0.62)	\$ (0.06)
DILUTED	\$ (0.11)	\$ 0.26	\$ (0.62)	\$ (0.06)
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
BASIC	4,863,389	4,913,455	4,863,389	4,913,455

DILUTED	4,863,389	5,439,344	4,863,389	4,913,455
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The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

APOLLO MEDICAL HOLDINGS, INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

	Six Months Ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (2,524,331)	\$ 28,384
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization expense	141,435	205,180
Deferred income tax	6,129	59,314
Stock-based compensation expense	152,733	975,658
Amortization of financing costs	46,745	62,283
Amortization of debt discount	(47,875)	177,963
Change in fair value of warrant and conversion feature liability	116,866	(122,135)
Changes in assets and liabilities:		
Accounts receivable	(214,131)	(993,669)
Other receivables	(80,776)	(5,382,617)
Due from affiliates	16,345	42,378
Prepaid expenses and advances	(131,091)	(14,167)
Deferred financing costs	513,646	-
Other assets	6,570	(347)
Accounts payable and accrued liabilities	1,592,267	2,170,739
Medical liabilities	76,638	668,779
Net cash used in operating activities	(328,830)	(2,122,257)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition, net of cash and cash equivalents acquired	-	(1,947,431)
Property and equipment acquired	(42,572)	(15,583)
Net cash used in investing activities	(42,572)	(1,963,014)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of convertible note payable	-	2,000,000
Principal payments on term note payable	(122,500)	(726,082)
Contribution by non-controlling interest	-	550,000
Distributions to non-controlling interest	(595,418)	(600,000)
Debt issuance costs	-	(20,000)