

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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FILER

CARETENDERS HEALTH CORP

CIK: **799231** | IRS No.: **061153720** | State of Incorpor.: **DE** | Fiscal Year End: **0331**
Type: **10-Q** | Act: **34** | File No.: **001-09848** | Film No.: **96665447**
SIC: **8082** Home health care services

Mailing Address

100 MALLARD CREEK ROAD
SUITE 400
LOUISVILLE KY 40207

Business Address

100 MALLARD CREEK ROAD
SUITE 400
LOUISVILLE KY 40207
502-899-5355

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 September 30, 1996

OR

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 1-9848
CARETENDERS HEALTH CORP.
(Exact name of registrant as specified in its charter)

Delaware 06-1153720
(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) Identification No.)

100 Mallard Creek Road, Suite 400, Louisville, Kentucky 40207
(Address of principal executive offices)
(Zip Code)

(502) 899-5355
(Registrant's telephone number, including area code)

Former address: 9200 Shelbyville Road, Louisville, Kentucky 40222

(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 Section 13 or 15(d) of the Securities and
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.

X
Yes _____ No _____.

Indicate the number of shares outstanding of each of the issuer's
classes of common stock, as of the latest practicable date.

Class of Common Stock \$.10 par value

Shares outstanding at September 30, 1996 - 3,119,436

CARETENDERS HEALTH CORP. AND SUBSIDIARIES

FORM 10-Q

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CARETENDERS HEALTH CORP. AND SUBSIDIARIES
INTERIM CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	September 30, 1996 (UNAUDITED) <C>	March 31, 1996 <C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,142,860	\$ 1,561,041
Accounts receivable - net of allowance for uncollectible accounts of \$3,267,000 and \$2,900,000	20,893,634	17,197,400
Prepaid expenses and other current assets	2,994,949	2,592,876
TOTAL CURRENT ASSETS	25,031,443	21,351,317
PROPERTY AND EQUIPMENT - net	3,979,535	3,981,934
COST IN EXCESS OF NET ASSETS ACQUIRED - net of accumulated amortization of \$1,281,000 and \$1,190,000	7,059,214	7,005,232
OTHER ASSETS	1,063,462	878,351
	\$37,133,654	\$33,216,834
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 4,293,166	\$ 3,306,484
Accrued expenses	3,892,915	3,661,967
Current portion of long-term debt and capital leases	408,971	432,329
Other current liabilities	100,000	106,986
TOTAL CURRENT LIABILITIES	8,695,052	7,507,766
LONG-TERM LIABILITIES		
Revolving Credit Facility	7,979,734	5,851,708
Term debt and capital lease obligations	183,011	321,839
Other liabilities	538,699	631,619
TOTAL LONG-TERM LIABILITIES	8,701,444	6,805,166

Commitments and Contingencies (Note 2)

Stockholders' equity:

Common stock, par value \$.10; authorized 10,000,000 shares; 3,129,436 issued and outstanding	312,944	312,944
Treasury stock, at cost, 10,000 shares	(95,975)	(95,975)
Additional paid-in capital	25,337,876	25,337,876
Accumulated deficit	(5,817,687)	(6,650,943)
TOTAL STOCKHOLDERS' EQUITY	19,737,158	18,903,902
	\$37,133,654	\$33,216,834

<FN>

See accompanying notes to interim consolidated financial statements.

</FN>

</TABLE>

CARETENDERS HEALTH CORP. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>

<CAPTION>

	Three Months Ended	
	September 30, 1996	September 30, 1995
<S>	<C>	<C>
Net revenues	\$19,157,759	\$15,999,319
Cost of sales and services	15,275,215	12,317,206
Selling, general and administrative expenses	2,099,003	1,986,155
Depreciation and amortization expense	519,370	555,680
Provision for uncollectible accounts	585,831	457,387
Income before other income (expense) and income taxes	678,340	682,891
Other income (expense):		
Interest expense	(174,686)	(192,179)
Income before provision for income taxes	503,654	490,712
Provision for income taxes	39,000	35,000
Net income	\$464,654	\$455,712
PER SHARE:		
Weighted average common and common equivalent shares outstanding for primary and fully diluted earnings per share	3,150,163	3,140,826
Net income per share	\$ 0.15	\$ 0.15

<FN>

See accompanying notes to interim consolidated financial statements.

</FN>

</TABLE>

CARETENDERS HEALTH CORP. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>

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	Six Months Ended	
	September 30, 1996	September 30, 1995
<S>	<C>	<C>
Net revenues	\$36,874,793	\$30,968,753
Cost of sales and services	29,293,216	23,894,235
Selling, general and administrative expenses	4,134,371	3,833,039
Depreciation and amortization expense	1,112,562	1,117,369

Provision for uncollectible accounts	1,089,159	875,416
Income before other income (expense) and income taxes	1,245,485	1,248,694
Other income (expense):		
Interest expense	(334,229)	(373,474)
Income before provision for income taxes	911,256	875,220
Provision for income taxes	78,000	58,000
Net income	\$833,256	\$817,220
PER SHARE:		
Weighted average common and common equivalent shares outstanding for primary and fully diluted earnings per share	3,150,163	3,140,826
Net income per share	\$ 0.26	\$ 0.26

<FN>
See accompanying notes to interim consolidated financial statements.
</FN>
</TABLE>

CARETENDERS HEALTH CORP. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
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<S>	Six Months Ended	
	September 30, 1996	September 30, 1995
<C>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 833,256	\$ 817,220
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	1,112,562	1,117,369
Provision for uncollectible accounts	1,089,159	875,416
	3,034,977	2,810,005
Change in certain net current assets (Increase) decrease in:		
Accounts receivable	(4,785,393)	(2,416,012)
Prepaid expenses and other current assets	(402,074)	(225,788)
Increase (decrease) in:		
Accounts payable and accrued liabilities	1,311,688	537,829
Other liabilities	(6,985)	(82,918)
Net cash provided (used) by operating activities	(847,787)	623,116
Cash flows from investing activities:		
Capital expenditures	(1,015,587)	(464,368)
Other assets	(333,669)	(144,163)
Net cash provided (used) by investing activities	(1,349,256)	(608,531)
Cash flows from financing activities:		
Principal payments on long-term debt	(256,244)	(317,961)
Issuance of long-term debt and capital leases	-	120,356
Net revolving credit facility borrowings	2,128,026	339,625
Other	(92,920)	-

Net cash provided (used) by financing activities	1,778,862	142,020
Net increase (decrease) in cash	(418,181)	156,605
Cash and cash equivalents at beginning of period	1,561,041	1,264,775
Cash and cash equivalents at end of period	\$ 1,142,860	\$ 1,421,380

<FN>

See accompanying notes to interim consolidated financial statements.

</FN>

</TABLE>

CARETENDERS HEALTH CORP. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying interim consolidated financial statements for the three and six months ended September 30, 1996 and 1995 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. Accordingly, the reader of this Form 10-Q may wish to refer to the Company's Form 10-K for the year ended March 31, 1996 for further information. In the opinion of management of the Company, the accompanying unaudited interim financial statements reflect all adjustments (consisting only of normally recurring accruals) necessary to present fairly the financial position at September 30, 1996 and the results of operations and cash flows for the periods ended September 30, 1996 and 1995.

The results of operations for the six months ended September 30, 1996 are not necessarily indicative of the operating results for the year.

2. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is currently, and from time to time, subject to claims and suits arising in the ordinary course of its business, including claims for damages for personal injuries. In the opinion of management, the ultimate resolution of any of these pending claims and legal proceedings will not have a material effect on the Company's financial position or results of operations.

On January 26, 1994 Franklin Capital Associates and Aetna Life and Casualty, shareholders, who at one time held approximately 320,000 shares of the Company's common stock (approximately 13% of shares outstanding) filed suit in Chancery Court of Williamson County, Tennessee claiming unspecified damages not to exceed three million dollars in connection with registration rights they received in the Company's acquisition of National Health Industries in February 1991. The suit alleges the Company failed to use its best efforts to register the shares held by the plaintiffs as required by the merger agreement. The Company believes it has meritorious defenses to the claims and does not expect that the ultimate outcome of the suit will have a material impact on the Company's results of operation or financial position. The Company plans to vigorously defend its position in this case. No amounts have been recorded in the accompanying financial statements related to this suit.

OVERVIEW

Strategic Focus

The Company is continuing its previously announced plans for the geographic expansion of its home and community based health care business units which consist of adult day health services and home health care (home health care includes nursing, infusion therapy and durable medical equipment). These businesses are involved with the delivery of health care in alternative settings which are preferred by consumers and operate at lower costs than hospitals and nursing homes. The Company intends to continue to develop and acquire home and community-based healthcare service operations and to continue to shift its emphasis toward providing alternatives to institutional long-term care.

By the end of fiscal year 1997 (ending March 31, 1997), the Company expects to have opened 11 new adult day health centers and 7 new home health care operations. Since March 31, 1996, the Company has opened 5 and acquired 2 new home care operations and opened 2 new adult day health centers.

Through November 11, 1996, new home care operations have been opened in Baltimore MD, Stamford CT, Indianapolis IN, and Columbus and Cincinnati OH. Home care operations have been acquired in Cleveland OH and Ft. Lauderdale FL. The new adult day health centers are located in Lexington KY and Cincinnati OH.

Please refer to the Company's Form 10-K for the year ended March 31, 1996 for information regarding the Company's cautionary statements regarding forward looking information.

Earnings

Earnings for the quarter and six-months ended September 30, 1996 remained at the same level as those for the same period of the prior year despite the incurrence of \$280,000 or \$0.09 per share of initial operating losses for the quarter and \$392,000 or \$0.12 per share for the six months related to the Company's geographic expansion. Earnings per share from operations was consistent at \$0.15 for the quarter and \$0.26 for the six-months ended September 30, 1996 and 1995. The increase in selling, general and administrative expenses was primarily related to the Company's geographic expansion activities.

Results of Operations

<TABLE>

<CAPTION>

Caretenders Health Corp.
Operating Data
for the three months ended September 30,

<S>	1996		1995		Change	
	Amount <C>	% of Revenues <C>	Amount <C>	% of Revenues <C>	Amount <C>	% <C>
Net Revenues						
Home Health Care	15,503,748	100.0%	12,712,899	100.0%	2,790,849	21.9%
Adult Day Health Services	3,654,011	100.0%	3,286,420	100.0%	367,591	11.2%
Total	19,157,759		15,999,319		3,158,440	19.7%
Costs of Sales and Services						
Home Health Care	12,581,597	81.2%	9,903,361	77.9%	2,678,236	27.0%
Adult Day Health Services	2,693,618	73.7%	2,413,845	73.4%	279,773	11.6%
Total	15,275,215	79.7%	12,317,206	77.0%	2,958,009	24.0%
Center Contribution						
Home Health Care	2,922,151	18.8%	2,809,538	22.1%	112,613	4.0%
Adult Day Health Services	960,393	26.3%	872,575	26.6%	87,818	10.1%

	3,882,544	20.3%	3,682,113	23.0%	200,431	5.4%
Selling, General & Administrative	2,099,003	11.0%	1,986,155	12.4%	112,848	5.7%
Depreciation and Amortization	519,370	2.7%	555,680	3.5%	(36,310)	(6.5)%
Provision for Uncollectible Accounts	585,831	3.1%	457,387	2.9%	128,444	28.1%
Interest, Net	174,686	0.9%	192,179	1.2%	(17,493)	(9.1)%
Income Before Taxes	503,564	2.6%	490,712	3.1%	12,852	2.6%

</TABLE>

Home Health Care

Revenues. Net revenues increased 21.9% from \$12,712,899 in 1995 to \$15,503,748 in 1996 primarily due to volume and geographic expansion. Expansion operations accounted for approximately \$1,354,000 of the \$2.8 million increase in home health revenues.

Cost of Sales and Services. Cost of sales and services as a percent of net revenues increased due to revenue growth and operating costs related to geographic expansion.

Adult Day Health Services

Net Revenues. The increase of \$367,591 in adult day health services revenues is primarily attributable to increased volumes in existing centers. Total days of service provided increased 7.3% from 56,522 in 1995 to 60,659 in 1996. As of September 30, 1996, the Company had 15 centers in operation.

Cost of Sales and Services. As a percent of net revenues, cost of sales and services remained relatively unchanged despite operating costs relating to geographic expansion.

Selling, General and Administrative. The increase of \$112,848 in these expenses is due to: a) normal year-to year cost increases and variable expenses associated with managing volume growth in existing operations, and b) increased overhead expenses (primarily personnel and travel) related to the Company's geographic expansion activities.

Provision for Uncollectible Accounts. The provision for uncollectible accounts for the quarter ended September 30, 1996 was recorded at approximately 3.1% of net revenues based on management's evaluation of collectibility.

Depreciation and Amortization. The decrease resulted from assets still in use reaching the end of their depreciable lives.

Interest. The decrease in Interest is primarily the result of the decrease in the interest rate associated with the Company's working capital credit facility.

Results of Operations

<TABLE>
<CAPTION>

Caretenders Health Corp.
Operating Data
for the six months ended September 30,

	1996		1995		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Revenues						

Home Health Care	29,858,495	100.0%	24,674,761	100.0%	5,183,734	21.0%
Adult Day Health Services	7,016,298	100.0%	6,293,992	100.0%	722,306	11.5%
Total	36,874,793		30,968,753		5,906,040	19.1%
Costs of Sales and Services						
Home Health Care	24,174,776	81.0%	19,192,067	77.8%	4,982,709	26.0%
Adult Day Health Services	5,118,440	73.0%	4,702,168	74.7%	416,272	8.9%
Total	29,293,216	79.4%	23,894,235	77.2%	5,398,981	22.6%
Center Contribution						
Home Health Care	5,683,719	19.0%	5,482,694	22.2%	201,025	0.4%
Adult Day Health Services	1,897,858	27.0%	1,591,824	25.3%	306,034	19.2%
	7,581,577	20.6%	7,074,518	22.8%	507,059	7.2%
Selling, General & Administrative						
Depreciation and Amortization	4,134,371	11.2%	3,833,039	12.4%	301,332	7.9%
Provision for Uncollectible Accounts	1,112,562	3.0%	1,117,369	3.6%	(4,807)	(0.4)%
Interest, Net	1,089,159	3.0%	875,416	2.8%	213,743	24.4%
Income Before Taxes	334,229	0.9%	373,474	1.2%	(39,245)	10.5%
	911,256	2.5%	875,220	2.8%	36,036	4.1%

</TABLE>

Home Health Care

Revenues. Net revenues increased 21.0% from \$24,674,791 in 1995 to \$29,858,495 in 1996 primarily as a result of increased volume and geographic expansion. Expansion operations accounted for approximately \$2 million of the \$5.2 million increase in home health revenues.

Cost of Sales and Services. Cost of sales and services as a percent of net revenues increased due to revenue growth and operating costs related to geographic expansion.

Adult Day Health Services

Net Revenues. The increase of \$722,306 in adult day health services revenues is primarily attributable to increased volumes in existing centers. Total days of service provided increased 8.5% from 109,776 in 1995 to 119,137 in 1996. As of September 30, 1996, the Company had 15 centers in operation.

Cost of Sales and Services. As a percent of net revenues, cost of sales and services decreased due to volume and operating costs relating to geographic expansion.

Selling, General and Administrative. The increase of \$301,332 in these expenses is due to: a) normal year-to-year cost increases and variable expenses associated with managing volume growth in existing operations, and b) increased overhead expenses (primarily personnel and travel) related to the Company's geographic expansion activities.

Provision for Uncollectible Accounts. The provision for uncollectible accounts for the quarter ended September 30, 1996 was recorded at approximately 3.0% of net revenues based on management's evaluation of collectibility.

Depreciation and Amortization. The decrease resulted from assets still in use reaching the end of their depreciable lives.

Interest. The decrease in Interest is primarily a decrease in the interest rate associated with the Company's working capital credit facility.

Liquidity and Capital Resources

Revolving Credit Facility

The revolving credit facility is expected to provide working capital resources sufficient to support operations and current expansion plans. However, management will continue to evaluate raising additional capital including possibly debt and equity investments in the Company to support a more rapid development of the business than would be possible with internal funds.

Cash Flows

Key elements of the Consolidated Statements of Cash Flows were (in thousands):

<TABLE>

Net Change in Cash and Cash Equivalents	1996	1995
<S>	<C>	<C>
Provided by (used in)		
Operating activities	\$ (848)	\$ 623
Investing activities	(1,349)	(608)
Financing activities	1,779	142
Net Change in Cash and Cash Equivalents	\$ (418)	\$ 156

</TABLE>

Net cash used in operating activities of \$848,000 resulted principally from an increase in accounts receivable. Days sales outstanding have not changed substantially from March 31, 1996. The growth in receivables results from volume growth, especially related to a sizable home health acquisition (Cleveland) made in the first quarter in which receivables were not acquired. Net cash used in investing activities resulted principally from capital expenditures and the Company's expansion efforts. Net cash provided by financing activities resulted primarily from an increase in the balance outstanding on the revolving credit facility.

Health Care Reform

Health care, as one of the largest industries in the United States, continues to attract much legislative interest and public attention. In recent years, an increasing number of legislative proposals have been introduced or proposed in Congress and in some state legislatures that would effect major changes in the health care system, either nationally or at the state level. Among the proposals under consideration are cost controls, insurance market reforms, requirements that all businesses offer health insurance coverage to their employees and the creation of a single government health insurance plan that would cover all citizens. The costs of certain proposals would be funded in significant part by reductions in payments by governmental programs, including Medicare and Medicaid, to health care providers. The Company cannot predict whether any of the above proposals or any other proposals will be adopted, and if adopted, no assurance can be given that the implementation of such reforms will not have a material effect on the business of the Company.

Impact of Inflation

Management does not believe that inflation has had a material effect on income during the past several years.

Commission File No. 1-9848

Part II - Other Information

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 11 (attached)
Exhibit 27 (attached)

(b) No reports on Form 8-K have been filed during the quarter ended September 30, 1996

<TABLE>
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CARETENDERS HEALTH CORP. AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER SHARE
EXHIBIT 11

	Three Months Ended September 30,		Six Months Ended September 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
PRIMARY				
Net income for primary income per common share	\$464,654	\$455,712	\$833,256	\$ 817,220
Weighted average outstanding shares during the period	3,119,413	3,119,413	3,119,413	3,119,413
Add- common equivalent shares representing shares issuable upon exercise of dilutive options and warrants and conversion of convertible preferred stock	30,750	21,413	30,750	21,413
Weighted average number of shares used in calculation of primary earnings per share	3,150,163	3,140,826	3,150,163	3,140,826
PER SHARE				
Net income	\$0.15	\$0.15	\$0.26	\$0.26
FULLY DILUTED				
Net income for fully diluted income per common share	\$464,654	\$455,712	\$833,256	\$817,220
Weighted average number of shares used in calculation of primary earnings per share	3,150,163	3,140,826	3,150,163	3,140,826
Weighted average number of shares used in calculation of fully diluted earnings per share	3,150,163	3,140,826	3,150,163	3,140,826
PER SHARE				
Net income	\$0.15	\$0.15	\$0.26	\$0.26

</TABLE>

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 of the undersigned thereunto duly authorized.

Date: November 11, 1996

CARETENDERS HEALTH CORP.

BY: /s/ William B. Yarmuth
William B. Yarmuth,
Chairman of the Board, President
and Chief Executive Officer

BY: /s/ C. Steven Guenthner
C. Steven Guenthner,
Senior Vice President and
Chief Financial Officer

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