

LINCOLN EDUCATIONAL SERVICES CORP  
Form 10-Q  
August 08, 2014

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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Commission File Number 000-51371

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LINCOLN EDUCATIONAL SERVICES CORPORATION  
(Exact name of registrant as specified in its charter)

New Jersey 57-1150621  
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

200 Executive Drive, Suite 340 07052  
West Orange, NJ (Zip Code)  
(Address of principal executive offices)

(973) 736-9340  
(Registrant's telephone number, including area code)

No change  
(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 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

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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 (§232.405 of this chapter) 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. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

As of August 6, 2014, there were 24,099,629 shares of the registrant’s common stock outstanding.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES

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FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	June 30, 2014 (Unaudited)	December 31, 2013
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 6,759	\$ 12,886
Restricted cash	-	54,500
Accounts receivable, less allowance of \$13,738 and \$13,787 at June 30, 2014 and December 31, 2013, respectively	18,569	16,127
Inventories	2,193	2,269
Prepaid income taxes and income taxes receivable	8,010	8,517
Assets held for sale	6,310	6,310
Prepaid expenses and other current assets	4,088	3,013
Total current assets	45,929	103,622
<b>PROPERTY, EQUIPMENT AND FACILITIES</b> - At cost, net of accumulated depreciation and amortization of \$156,373 and \$146,795 at June 30, 2014 and December 31, 2013, respectively	121,282	127,332
<b>OTHER ASSETS:</b>		
Noncurrent receivables, less allowance of \$988 and \$982 at June 30, 2014 and December 31, 2013, respectively	6,668	6,869
Deferred finance charges	191	1,163
Goodwill	62,465	62,465
Other assets, net	3,624	4,498
Total other assets	72,948	74,995
<b>TOTAL</b>	<b>\$ 240,159</b>	<b>\$ 305,949</b>

See notes to unaudited condensed consolidated financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

(Continued)

	June 30, 2014 (Unaudited)	December 31, 2013
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt and lease obligations	\$ 15,452	\$ 435
Unearned tuition	27,597	30,195
Accounts payable	11,097	14,603
Accrued expenses	14,781	10,655
Other short-term liabilities	830	693
Total current liabilities	69,757	56,581
<b>NONCURRENT LIABILITIES:</b>		
Long-term debt and lease obligations, net of current portion	34,950	89,681
Pension plan liabilities	1,278	1,522
Deferred income taxes, net	5,290	4,528
Accrued rent	7,250	7,695
Other long-term liabilities	670	746
Total liabilities	119,195	160,753
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, no par value - 10,000,000 shares authorized, no shares issued and outstanding at March 31, 2014 and December 31, 2013	-	-
Common stock, no par value - authorized: 100,000,000 shares at June 30, 2014 and December 31, 2013; issued and outstanding: 30,010,170 shares at June 30, 2014 and 29,919,761 shares at December 31, 2013	141,377	141,377
Additional paid-in capital	25,769	24,177
Treasury stock at cost - 5,910,541 shares at June 30, 2014 and December 31, 2013	(82,860 )	(82,860 )
Retained earnings	40,015	66,064
Accumulated other comprehensive loss	(3,337 )	(3,562 )
Total stockholders' equity	120,964	145,196
<b>TOTAL</b>	<b>\$ 240,159</b>	<b>\$ 305,949</b>

See notes to unaudited condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months		Six Months Ended	
	Ended		June 30,	
	June 30,	2013	2014	2013
	2014	2013	2014	2013
REVENUE	\$77,152	\$81,751	\$157,119	\$168,021
COSTS AND EXPENSES:				
Educational services and facilities	41,544	42,398	84,233	85,971
Selling, general and administrative	45,617	45,640	92,354	95,660
Gain on sale of assets	(6 )	(196 )	(61 )	(207 )
Impairment of goodwill and long-lived assets	-	3,815	-	3,908
Total costs & expenses	87,155	91,657	176,526	185,332
OPERATING LOSS	(10,003)	(9,906 )	(19,407 )	