

LINCOLN EDUCATIONAL SERVICES CORP
Form 10-Q
May 11, 2015

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

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 March 31, 2015

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 000-51371

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)

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 (§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

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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 May 6, 2015, there were 24,076,823 shares of the registrant’s common stock outstanding.

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES

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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)

	March 31, 2015 (Unaudited)	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,180	\$ 12,299
Restricted cash	-	30,000
Accounts receivable, less allowance of \$11,684 and \$12,193 at March 31, 2015 and December 31, 2014, respectively	15,725	13,533
Inventories	1,593	1,486
Prepaid income taxes and income taxes receivable	827	879
Assets held for sale	51,696	50,930
Prepaid expenses and other current assets	4,386	3,937
Total current assets	79,407	113,064
PROPERTY, EQUIPMENT AND FACILITIES - At cost, net of accumulated depreciation and amortization of \$156,967 and \$136,910 at March 31, 2015 and December 31, 2014, respectively	66,806	69,740
OTHER ASSETS:		
Noncurrent receivables, less allowance of \$987 and \$1,016 at March 31, 2015 and December 31, 2014, respectively	5,857	6,235
Deferred finance charges	140	158
Goodwill	22,207	22,207
Other assets, net	2,479	2,303
Total other assets	30,683	30,903
TOTAL	\$ 176,896	\$ 213,707

See notes to unaudited condensed consolidated financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

(Continued)

	March 31, 2015 (Unaudited)	December 31, 2014
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of credit agreement	\$ -	\$ 30,000
Current portion of capital lease obligations	480	471
Unearned tuition	26,779	26,469
Accounts payable	11,538	11,894
Accrued expenses	13,849	13,865
Other short-term liabilities	675	780
Total current liabilities	53,321	83,479
NONCURRENT LIABILITIES:		
Long-term capital lease obligations	24,914	25,038
Long-term finance obligation	9,672	9,672
Pension plan liabilities	5,130	5,299
Accrued rent	6,822	6,852
Other long-term liabilities	368	357
Total liabilities	100,227	130,697
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value - 10,000,000 shares authorized, no shares issued and outstanding at March 31, 2015 and December 31, 2014	-	-
Common stock, no par value - authorized: 100,000,000 shares at March 31, 2015 and December 31, 2014; issued and outstanding: 29,755,446 shares at March 31, 2015 and 29,933,086 shares at December 31, 2014	141,377	141,377
Additional paid-in capital	26,661	26,350
Treasury stock at cost - 5,910,541 shares at March 31, 2015 and December 31, 2014	(82,860)	(82,860)
(Accumulated deficit) retained earnings	(1,273)	5,610
Accumulated other comprehensive loss	(7,236)	(7,467)
Total stockholders' equity	76,669	83,010
TOTAL	\$ 176,896	\$ 213,707

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 Ended March 31,	
	2015	2014
REVENUE	\$76,720	\$79,202
COSTS AND EXPENSES:		
Educational services and facilities	38,196	41,751
Selling, general and administrative	44,009	46,118
Gain on sale of assets	(47)	(55)
Total costs & expenses	82,158	87,814
OPERATING LOSS	(5,438)	(8,612)
OTHER:		
Interest income	9	56
Interest expense	(1,627)	(1,316)
Other income	223	-
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(6,833)	(9,872)
PROVISION FOR INCOME TAXES	50	419
LOSS FROM CONTINUING OPERATIONS	(6,883)	