

CORINTHIAN COLLEGES INC

Form 10-Q

May 04, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED March 31, 2011

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 0-25283

CORINTHIAN COLLEGES, INC.

(Exact name of registrant as specified in its charter)

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Delaware **33-0717312**
(State or other jurisdiction of **(I.R.S. Employer**
Incorporation or organization) **Identification No.)**
6 Hutton Centre Drive, Suite 400, Santa Ana, California

(Address of principal executive offices)

92707

(Zip Code)

(714) 427-3000

(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 website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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

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At April 30, 2011, there were 84,611,603 shares of Common Stock of the Registrant outstanding.

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CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands)**

	March 31, 2011 (Unaudited)	June 30, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 40,290	\$ 209,419
Accounts receivable, net of allowance for doubtful accounts of \$29,072 and \$27,533 at March 31, 2011 and June 30, 2010, respectively	85,454	95,272
Student notes receivable, net of allowance for doubtful accounts of \$15,336 and \$18,496 at March 31, 2011 and June 30, 2010, respectively	22,460	20,743
Deferred income taxes	47,603	47,591
Prepaid expenses and other current assets	57,035	64,697
Total current assets	252,842	437,722
PROPERTY AND EQUIPMENT, net	333,945	298,083
OTHER ASSETS:		
Goodwill, net	197,875	400,204
Other intangibles, net	183,501	189,676
Student notes receivable, net of allowance for doubtful accounts of \$51,859 and \$42,339 at March 31, 2011 and June 30, 2010, respectively	72,599	47,480
Deposits and other assets	8,967	13,211
Deferred income taxes	3,296	3,044
TOTAL ASSETS	\$ 1,053,025	\$ 1,389,420
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 47,641	\$ 74,906
Accrued compensation and related liabilities	88,388	110,972
Accrued expenses	24,948	29,289
Prepaid tuition	59,579	80,889
Current portion of capital lease obligations	601	525
Current portion of long-term debt	729	730
Total current liabilities	221,886	297,311
LONG-TERM CAPITAL LEASE OBLIGATIONS, net of current portion	13,148	13,636
LONG-TERM DEBT, net of current portion	189,821	299,368
DEFERRED INCOME TAXES	407	22,608
OTHER LONG-TERM LIABILITIES	66,586	65,463
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS EQUITY:		
Common Stock, \$0.0001 par value:		

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Common Stock, 120,000 shares authorized: 90,785 shares issued and 84,612 shares outstanding at March 31, 2011 and 90,386 shares issued and 88,129 shares outstanding at June 30, 2010	9	9
Additional paid-in capital	241,283	232,623
Treasury stock	(56,368)	(31,368)
Retained earnings	374,634	489,168
Accumulated other comprehensive income	1,619	602
Total stockholders' equity	561,177	691,034
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,053,025	\$ 1,389,420

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

Table of Contents**CORINTHIAN COLLEGES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share data)**

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2011 (Unaudited)	2010	2011 (Unaudited)	2010
NET REVENUES	\$ 462,346	\$ 478,274	\$ 1,446,884	\$ 1,281,053
OPERATING EXPENSES:				
Educational services (including bad debt expense of \$22,074 and \$20,639 for the three months ended March 31, 2011 and 2010, respectively; and \$80,788 and \$69,850 for the nine months ended March 31, 2011 and 2010, respectively)	275,243	259,340	850,650	696,227
General and administrative	50,694	54,811	160,427	141,616
Marketing and admissions	107,268	97,696	317,789	258,095
Impairment, facility closing, and severance charges	2,402		208,391	
Total operating expenses	435,607	411,847	1,537,257	1,095,938
(LOSS) INCOME FROM OPERATIONS	26,739	66,427	(90,373)	185,115
Interest (income)	(208)	(311)	(629)	(962)
Interest expense	1,898	2,130	6,061	3,467
Other (income) expense, net	(1,512)	(1,727)	(3,319)	(4,238)
(LOSS) INCOME BEFORE PROVISION FOR INCOME TAXES	26,561	66,335	(92,486)	186,848
Provision for income taxes	10,491	26,529	22,047	74,727
NET (LOSS) INCOME	16,070	39,806	\$ (114,533)	112,121
(Loss) income per common share:				
Basic	\$ 0.19	\$ 0.45	\$ (1.34)	\$ 1.28
Diluted	\$ 0.19	\$ 0.45	\$ (1.34)	\$ 1.26
Weighted average number of common shares outstanding:				
Basic	84,577	87,791	85,646	87,558
Diluted	84,715	88,796	85,646	88,672

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

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	Nine months Ended March 31,	
	2011	2010
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	(\$ 114,533)	\$ 112,121
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	58,503	46,745
Stock based compensation	7,514	9,930
Deferred income taxes	(22,201)	
Loss on disposal of assets	746	689
Impairment charge	203,561	
Changes in assets and liabilities:		
Accounts receivable, net	10,101	(1,406)
Student notes receivable, net	(26,836)	(23,861)
Prepaid expenses and other assets	14,102	5,488
Accounts payable	(27,333)	16,766
Accrued expenses and other liabilities	(19,612)	2,264
Income taxes payable	(6,534)	2,484
Prepaid tuition	(22,131)	34,619
Other long-term liabilities	(1,785)	4,820
Net cash provided by operating activities	53,562	210,659
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Heald, net of cash acquired		(347,299)
Capital expenditures	(88,892)	(52,209)
Net cash used in investing activities	(88,892)	(399,508)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	307,670	252,133
Principal repayments on long-term debt and capital lease obligations	(418,563)	(154,587)
Proceeds from exercise of stock options and employee stock purchase plan	1,419	8,964
Purchase of treasury stock	(25,000)	