

UNIVERSAL HEALTH REALTY INCOME TRUST

Form 10-Q

August 08, 2012

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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 June 30, 2012

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 1-9321

UNIVERSAL HEALTH REALTY INCOME TRUST

(Exact name of registrant as specified in its charter)

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MARYLAND (State or other jurisdiction of incorporation or organization)	23-6858580 (I. R. S. Employer Identification No.)
UNIVERSAL CORPORATE CENTER	
367 SOUTH GULPH ROAD	
KING OF PRUSSIA, PENNSYLVANIA (Address of principal executive offices)	19406 (Zip Code)
Registrant's telephone number, including area code (610) 265-0688	

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 ☐

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 <input type="checkbox"/>	Accelerated Filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

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

Number of common shares of beneficial interest outstanding at July 31, 2012 - 12,683,970

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Condensed Consolidated Statements of Income

For the Three and Six Months Ended June 30, 2012 and 2011

(amounts in thousands, except per share amounts)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues:				
Base rental - UHS facilities	\$ 3,732	\$ 3,261	\$ 7,488	\$ 6,522
Base rental - Non-related parties	6,910	2,064	13,642	4,051
Bonus rental - UHS facilities	1,038	1,092	2,154	2,204
Tenant reimbursements and other - Non-related parties	1,875	332	3,525	638
Tenant reimbursements and other - UHS facilities	111	17	208	27
	13,666	6,766	27,017	13,442
Expenses:				
Depreciation and amortization	5,001	1,539	10,221	3,042
Advisory fees to UHS	521	480	1,054	951
Other operating expenses	4,196	1,414	7,666	2,385
Transaction costs	129	0	649	0
	9,847	3,433	19,590	6,378
Income before equity in income of unconsolidated limited liability companies (LLCs), interest expense and gain, net	3,819	3,333	7,427	7,064
Equity in income of unconsolidated LLCs	604	727	1,158	1,502
Gain on divestiture of property owned by an unconsolidated LLC, net	0	0	7,375	0
Interest expense, net	(1,956)	(368)	(3,979)	(746)
Net income	\$ 2,467	\$ 3,692	\$ 11,981	\$ 7,820
Basic earnings per share	\$ 0.19	\$ 0.29	\$ 0.95	\$ 0.62
Diluted earnings per share	\$ 0.19	\$ 0.29	\$ 0.95	\$ 0.62
Weighted average number of shares outstanding - Basic	12,658	12,642	12,655	12,640
Weighted average number of share equivalents	6	9	5	7
Weighted average number of shares and equivalents outstanding - Diluted	12,664	12,651	12,660	12,647

See accompanying notes to these condensed consolidated financial statements.

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Condensed Consolidated Balance Sheets

(dollar amounts in thousands)

(unaudited)

	June 30, 2012	December 31, 2011
Assets:		
Real Estate Investments:		
Buildings and improvements	\$ 365,667	\$ 338,648
Accumulated depreciation	(81,043)	(74,865)
	284,624	263,783
Land	27,058	24,850
Net Real Estate Investments	311,682	288,633
Investments in and advances to limited liability companies (LLCs)	38,257	33,057
Other Assets:		
Cash and cash equivalents	3,211	11,649
Base and bonus rent receivable from UHS	2,046	1,982
Rent receivable - other	2,479	2,056
Intangible assets (net of accumulated amortization of \$5.2 million and \$1.2 million at June 30, 2012 and December 31, 2011, respectively)	27,717	28,081
Deferred charges, notes receivable and other assets, net	5,386	5,471
Total Assets	\$ 390,778	\$ 370,929
Liabilities:		
Line of credit borrowings	\$ 81,150	\$ 77,150
Mortgage and other notes payable, non-recourse to us (including net debt premium of \$867,000 and \$1.1 million at June 30, 2012 and December 31, 2011, respectively)	116,273	97,686
Accrued interest	578	473
Accrued expenses and other liabilities	4,824	4,984
Tenant reserves, escrows, deposits and prepaid rents	2,214	1,691
Total Liabilities	205,039	181,984
Equity:		
Preferred shares of beneficial interest, \$.01 par value; 5,000,000 shares authorized; none issued and outstanding		
Common shares, \$.01 par value; 95,000,000 shares authorized; issued and outstanding: 2012 - 12,683,428 2011 - 12,666,824	127	127
Capital in excess of par value	213,912	213,566
Cumulative net income	459,379	447,398
Cumulative dividends	(487,757)	(472,230)
Total Universal Health Realty Income Trust Shareholders' Equity	185,661	188,861
Non-controlling equity interest	78	84

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Total Equity	185,739	188,945
Total Liabilities and Equity	\$ 390,778	\$ 370,929

See the accompanying notes to these condensed consolidated financial statements.

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Condensed Consolidated Statements of Cash Flows

(amounts in thousands)

(unaudited)

	Six months ended June 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 11,981	\$ 7,820
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation and amortization	10,221	3,042
Restricted/stock-based compensation expense	147	140
Gain on divestiture of property owned by an unconsolidated LLC	(7,375)	0
<i>Changes in assets and liabilities:</i>		
Rent receivable	(563)	(241)
Accrued expenses and other liabilities	(305)	(503)
Tenant reserves, escrows, deposits and prepaid rents	523	45
Accrued interest	105	(14)
Other, net	(118)	17
Net cash provided by operating activities	14,616	10,306
Cash flows from investing activities:		
Investments in LLCs	(705)	(3,134)
Repayments of advances made to LLCs	473	6,599
Advances made to LLCs	(8,000)	(11,099)
Cash distributions in excess of income from LLCs	2,318	3,288
Cash distributions of refinancing proceeds from LLCs	0	2,111
Additions to real estate investments	(2,171)	4
Deposit on real estate assets	100	(300)
Net cash paid for acquisition of medical office building	(7,324)	(11,782)
Payment of assumed liabilities on acquired properties	(553)	0
Cash proceeds received from divestiture of property owned by an unconsolidated LLC, net	8,077	0
Net cash used in investing activities	(7,785)	(14,313)
Cash flows from financing activities:		
Net borrowings on line of credit	4,000	19,100
Proceeds from mortgage notes payable	7,000	