CROSS COUNTRY HEALTHCARE INC
Form 10-Q
May 04, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

þ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended March 31, 2018
Or
o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition Period From _________ to _________

CROSS COUNTRY HEALTHCARE, INC.
(Exact name of registrant as specified in its charter)

Delaware	0-33169	13-4066229
(State or other jurisdiction of Incorporation or organization)	Commission file number	(I.R.S. Employer Identification Number)

5201 Congress Avenue, Suite 100B
Boca Raton, Florida 33487
(Address of principal executive offices)(Zip Code)
(561) 998-2232
(Registrant's telephone number, including area code)

Not Applicable
(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 Sections 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 þ No o
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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ Yes o 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:
Large accelerated filer ¨ Accelerated filer þ Non-accelerated filer ¨ (Do not check if a smaller reporting company)
Smaller Reporting Company ¨ Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o
Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No þ

The registrant had outstanding 36,399,603 shares of Common Stock, par value $0.0001 per share, as of April 30, 2018.

INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

In addition to historical information, this Form 10-Q contains statements relating to our future results (including certain projections and business trends) that are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and are subject to the “safe harbor” created by those sections. Forward-looking statements consist of statements that are predictive in nature, depend upon or refer to future events. Words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, “suggests", "appears", “seeks”, “will”, and variations of such words and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: our ability to attract and retain qualified nurses, physicians and other healthcare personnel, costs and availability of short-term housing for our travel healthcare professionals, demand for the healthcare services we provide, both nationally and in the regions in which we operate, the functioning of our information systems, the effect of cyber security risks and cyber incidents on our business, the effect of existing or future government regulation and federal and state legislative and enforcement initiatives on our business, our clients’ ability to pay us for our services, our ability to successfully implement our acquisition and development strategies, including our ability to successfully integrate acquired businesses and realize synergies from such acquisitions, the effect of liabilities and other claims asserted against us, the effect of competition in the markets we serve, our ability to successfully defend the Company, its subsidiaries, and its officers and directors on the merits of any lawsuit or determine its potential liability, if any, and other factors set forth in Item 1.A. “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, as filed and updated in our Quarterly Reports on Form 10-Q and other filings with the Securities and Exchange Commission.

Although we believe that these statements are based upon reasonable assumptions, we cannot guarantee future results and readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s opinions only as of the date of this filing. There can be no assurance that (i) we have correctly measured or identified all of the factors affecting our business or the extent of these factors’ likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct or (iv) our strategy, which is based in part on this analysis, will be successful. The Company undertakes no obligation to update or revise forward-looking statements.

All references to "the Company", “we”, “us”, “our”, or “Cross Country” in this Quarterly Report on Form 10-Q mean Cross Country Healthcare, Inc., and its consolidated subsidiaries.

CROSS COUNTRY HEALTHCARE, INC.

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FORM 10-Q

March 31, 2018

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CROSS COUNTRY HEALTHCARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, amounts in thousands)

	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$32,621	$ 25,537
Accounts receivable, net of allowances of $3,640 in 2018 and $3,688 in 2017	160,334	173,603
Prepaid expenses	6,143	5,287
Insurance recovery receivable	3,278	3,497
Other current assets	1,093	963
Total current assets	203,469	208,887
Property and equipment, net of accumulated depreciation of $31,794 in 2018 and $30,678 in 2017	13,967	14,086
Goodwill	117,589	117,589
Trade names	26,702	26,702
Other intangible assets, net	59,185	60,976
Non-current deferred tax assets	19,455	20,219
Other non-current assets	19,427	19,228
Total assets	$459,794	$ 467,687
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$46,810	$ 50,597
Accrued compensation and benefits	31,586	34,271
Current portion of long-term debt	5,625	6,875
Other current liabilities	3,615	2,845
Total current liabilities	87,636	94,588
Long-term debt, less current portion	92,314	92,259
Long-term accrued claims	29,705	28,757
Contingent consideration	5,082	5,088
Other long-term liabilities	8,956	9,276
Total liabilities	223,693	229,968
Commitments and contingencies		
Stockholders' equity:		
Common stock	4	4
Additional paid-in capital	302,325	305,362
Accumulated other comprehensive loss	(1,554)	(1,166)
Accumulated deficit	(65,275)	(67,111)
Total Cross Country Healthcare, Inc. stockholders' equity	235,500	237,089
Noncontrolling interest in subsidiary	601	630
Total stockholders' equity	236,101	237,719

Total liabilities and stockholders' equity	$459,794	$ 467,687

See accompanying notes to the condensed consolidated financial statements
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CROSS COUNTRY HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, amounts in thousands, except per share data)

	Three Months Ended March 31, 2018	2017
Revenue from services	$210,288	$207,573
Operating expenses:		
Direct operating expenses	156,535	154,298
Selling, general and administrative expenses	45,634	47,236
Bad debt expense	199	323
Depreciation and amortization	2,909	2,191
Acquisition-related contingent consideration	213	270
Acquisition and integration costs	115	—
Restructuring costs	435	—
Total operating expenses	206,040	204,318
Income from operations	4,248	3,255
Other expenses (income):		
Interest expense	1,266	1,219
Gain on derivative liability	—	(1,581)
Loss on early extinguishment of debt	—	4,969
Other income, net	(101)	—
Income (loss) before income taxes	3,083	(1,352)
Income tax expense	1,163	366
Consolidated net income (loss)	1,920	(1,718)
Less: Net income attributable to noncontrolling interest in subsidiary	278	292
Net income (loss) attributable to common shareholders	$1,642	$(2,010)
Net income (loss) per share attributable to common shareholders - Basic	$0.05	$(0.06)
Net income (loss) per share attributable to common shareholders - Diluted	$0.05	$(0.08)
Weighted average common shares outstanding:		
Basic	35,803	32,872
Diluted	36,087	36,480

See accompanying notes to the condensed consolidated financial statements
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CROSS COUNTRY HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited, amounts in thousands)

	Three Months Ended March 31,	
	2018	2017
Consolidated net income (loss)	$1,920	$(1,718)
Other comprehensive (loss) income, before income tax:		
Unrealized foreign currency translation (loss) gain	(27)	34
Net change in fair value of hedging transactions	(228)	—
Other comprehensive (loss) income, before income taxes	(255)	34
Income tax benefit related to foreign currency translation adjustments	(4)	—
Income tax benefit related to change in fair value of hedging transactions	(57)	—
Other comprehensive (loss) income, net of tax	(194)	34
Comprehensive income (loss)	1,726	(1,684)
Less: Net income attributable to noncontrolling interest in subsidiary	278	292
Comprehensive income (loss) attributable to common shareholders	$1,448	$(1,976)

See accompanying notes to the condensed consolidated financial statements

CROSS COUNTRY HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, amounts in thousands)

	Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities		
Consolidated net income (loss)	$1,920	$(1,718)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,909	2,191
Provision for allowances	671	1,038
Deferred income tax expense	825	597
Gain on derivative liability	—	(1,581)
Loss on early extinguishment of debt	—	4,969
Equity compensation	469	737
Other non-cash costs	322	635
Changes in operating assets and liabilities:		
Accounts receivable	12,598	10,817
Prepaid expenses and other assets	(477)	(264)
Accounts payable and accrued expenses	(5,786)	(16,087)
Other liabilities	(178)	76
Net cash provided by operating activities	13,273	1,410
Cash flows from investing activities		
Acquisition-related settlements	(24)	—
Purchases of property and equipment	(1,003)	(1,090)
Net cash used in investing activities	(1,027)	(1,090)
Cash flows from financing activities		
Principal payments on Term Loans	(1,250)	(1,000)
Convertible Note cash payment	—	(5,000)
Extinguishment fees	—	(578)
Stock repurchase and retirement	(2,885)	—
Other	(1,014)	(1,005)
Net cash used in financing activities	(5,149)	(7,583)
Effect of exchange rate changes on cash	(13)	34
Change in cash and cash equivalents	7,084	(7,229)
Cash and cash equivalents at beginning of period	25,537	20,630
Cash and cash equivalents at end of period	$32,621	$13,401

See accompanying notes to the condensed consolidated financial statements

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CROSS COUNTRY HEALTHCARE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements include the accounts of Cross Country Healthcare, Inc. and its direct and indirect wholly-owned subsidiaries (collectively, the Company). The condensed consolidated financial statements include all assets, liabilities, revenue, and expenses of Cross Country Talent Acquisition Group, LLC (formerly InteliStaf of Oklahoma, LLC), which is controlled by the Company but not wholly-owned. The Company records the ownership interest of the noncontrolling shareholder as noncontrolling interest in subsidiary. All intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, all entries necessary for a fair presentation of such unaudited condensed consolidated financial statements have been included. These entries consisted of all normal recurring items.

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by United States generally accepted accounting principles (U.S. GAAP) for complete financial statements. These operating results are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2017 included in the Company’s Annual Report on Form 10-K as filed with the Securities and Exchange Commission. The December 31, 2017 condensed consolidated balance sheet included herein was derived from the December 31, 2017 audited consolidated balance sheet included in the Company’s Annual Report on Form 10-K.

Certain prior period amounts have been reclassified to conform to the current year presentation on the condensed consolidated statements of cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the condensed consolidated financial statements and accompanying notes. Significant estimates and assumptions are used for, but not limited to: (1) the valuation of accounts receivable; (2) goodwill, trade names, and other intangible assets; (3) other long-lived assets; (4) share-based compensation; (5) accruals for health, workers’ compensation and professional liability claims; (6) valuation of deferred tax assets; (7) purchase price allocation; (8) derivative liability; (9) legal contingencies; (10) contingent considerations; (11) income taxes; and (12) sales and other non-income tax liabilities. Accrued insurance claims and reserves include estimated settlements from known claims and actuarial estimates for claims incurred but not reported. Actual results could differ from those estimates.

Allowances

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments, which results in a provision for bad debt expense. We determine the adequacy of this allowance by continually evaluating individual customer receivables, considering the customer’s financial condition, credit history and current economic conditions. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. We write-off specific accounts based on an ongoing review of collectability as well as our past experience with the customer. In addition, we maintain a sales allowance for customer disputes which may arise in the ordinary course of business, which is recorded as contra-revenue. Historically, losses on uncollectible accounts and sales allowances have not exceeded our allowances.

Restructuring Costs

The Company considers restructuring activities to be programs whereby it fundamentally changes its operations, such as closing and consolidating facilities, reducing headcount and realigning operations in response to changing market conditions. As a result, restructuring costs on the consolidated statements of operations include on-going benefit costs for its employees and exit costs.

Reconciliations of the beginning and ending total restructuring liability balances are presented below:

	Three Months Ended March 31, 2018	
	On-Going Benefit Costs	Exit Costs
	(amounts in thousands)	
Balance at beginning of period	$87	$441
Charged to restructuring costs	435	—
Payments	(10)	(54)
Balance at end of period	$512	$387

Derivative Financial Instruments

The Company is exposed to interest rate risk due to the outstanding senior secured term loan entered into on August 1, 2017 with a variable interest rate. As a result, it has entered into an interest rate swap agreement to effectively convert a portion of its variable interest payments to a fixed rate. The principal objective of the interest rate swap is to eliminate or reduce the variability of the cash flows in those interest payments associated with the Company's long-term debt, thus reducing the impact of interest rate changes on future interest payment cash flows. The Company has determined that the interest rate swap qualifies as a cash flow hedge in accordance with Accounting Standards Codification (ASC) 815, Derivatives and Hedging. As the critical terms of the hedging instrument and the hedged forecasted transaction are the same, the Company has concluded that changes in the cash flows attributable to the risk being hedged are expected to completely offset at inception and on an ongoing basis. Changes in the fair value of an interest rate swap agreement designated as a cash flow hedge are recorded as a component of accumulated other comprehensive income (loss), net of deferred taxes, within stockholders' equity and are amortized to interest expense over the term of the related debt as the interest payments are made. As of March 31, 2018, the fair value of the interest rate swap agreement was not material. Future interest rate swap payments will be included in net cash provided by operating activities on the Company's consolidated statement of cash flows.

In conjunction with entering into the interest rate swap agreement, the Company early adopted ASU 2017-12, Derivative and Hedging (Topic 815) to simplify the application of hedge accounting. See Note 9 - Derivative for full disclosures of the interest rate swap agreement entered into in the first quarter of 2018.

Recently Adopted Accounting Pronouncements

In February 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, amended by ASU No. 2018-05, Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118. The amendments allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (2017 Tax Act), and require certain disclosures about stranded tax effects. The guidance that requires that the effect of a change in tax laws or rates be included in income is not affected. The amendments would have been effective for the Company in the first quarter of 2019. Adoption of the standard was to be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the United States federal corporate tax rate in the 2017 Tax Act is recognized. Early adoption was permitted. The Company adopted this standard in the first quarter of 2018, resulting in the reclassification of a $0.2 million benefit, the stranded tax effect, from retained earnings to accumulated other comprehensive income (loss).

In the first quarter of 2018, the Company adopted ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 introduces a new five-step revenue recognition model in which an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. See Note 3 - Revenue Recognition for additional accounting policy and related disclosures. The Company elected to adopt the standard using a modified retrospective method, which only impacts contracts not completed as of December 31, 2017.

3. REVENUE RECOGNITION

Revenue Recognition

Revenue from the Company's services is recognized when control of the promised services are transferred to the Company's customers, in an amount that reflects the consideration it expects to receive in exchange for the service. The Company has concluded that transfer of control of its staffing services, which represents the majority of its revenues, occurs over time as the services are provided, which is consistent with revenue recognition under the prior guidance.

The following is a description of the nature, amount, timing and uncertainty of revenue and cash flows from which the Company generates revenue.

Temporary Staffing Revenue

Revenue from temporary staffing is recognized as control of the services are transferred over time, and is based on hours worked by the Company's field staff. The Company recognizes the majority of its revenue at the contractual amount the Company has the right to invoice for services completed to date. Generally, billing to customers occurs weekly or bi-weekly aligned with the payment of services to the temporary staff with payment terms of 15 to 60 days. Accounts receivable includes estimated revenue for employees' and independent contractors' time worked but not yet invoiced. At March 31, 2018 and December 31, 2017, the Company's estimate of amounts that had been worked but had not been billed totaled $35.4 million and $41.8 million, respectively, and are included in accounts receivable on the consolidated balance sheets.

Other Service Revenue

The Company offers other optional services to its customers that are transferred over time including: managed service programs (MSP) providing agency services (as further described below in Gross versus Net Policies), recruitment process outsourcing (RPO), other outsourcing services, and retained search services, which is less than 5% of its consolidated revenue for the three months ended March 31, 2018 and March 31, 2017. Generally, billing and payment terms for MSP agency services is consistent with temporary staffing as the customers are similar or the same. Revenue from these services are recognized based on the contractual amount for services completed to date which best depicts the transfer of control of services.

For the Company's RPO, other outsourcing, and retained search services revenue is generally recognized in the amount to which the entity has a right to invoice which corresponds directly with the value to the customer. The Company does not, in the ordinary course of business, offer warranties or refunds.

Gross Versus Net Policies

The Company records revenue on a gross basis as a principal or on a net basis as an agent depending on the contracted arrangement, as follows:

Managed Service Programs

The Company has certain contracts with acute care facilities to provide comprehensive services through its MSPs. Under these contract arrangements, the Company fulfills the customer's order with either one of its healthcare professionals or a third-party's professionals (subcontractors). If its healthcare professional is used, the Company determined that it acts as a principal in the arrangement, as the Company is considered the employer of record. Accordingly, revenue is reported on a gross basis on the consolidated statements of operations.

If a subcontractor healthcare professional is used, the customer is invoiced for such services and a subcontractor liability is recorded in accrued expenses, but only the resulting administrative fee is recognized as revenue. The subcontractor is generally paid after the Company has received payment from its customer. The Company determined that it acts as an agent in these arrangements as the Company does not control the services before they are transferred. Accordingly, revenue is reported on a net basis on the consolidated statements of operations.

Physician Staffing

The Physician Staffing business enters into contracts with its healthcare customers to provide temporary staffing services. The Company uses independent contractors for these services. The Company determined that it acts as a principal in this arrangement and, therefore, revenue is reported on a gross basis on the consolidated statements of operations.

The following table presents our revenues disaggregated by revenue source. Sales and usage-based taxes are excluded from revenue.

	March 31, 2018			
	Nurse And Allied Staffing Segment	Physician Staffing Segment	Other Human Capital Management Services Segment	Total
	(amounts in thousands)			
Temporary Staffing Services	$181,139	$20,230	$ —	$201,369
Other Services	3,966	1,330	3,623	8,919
Total	$185,105	$21,560	$ 3,623	$210,288

Contract Costs

All contract fulfillment costs are expensed as incurred to direct operating expenses. With respect to FASB ASC 606, Revenue from Contracts with Customers, there were no contract assets or material contract liabilities as of March 31, 2018 and December 31, 2017.

Practical Expedients and Exemptions

For the Company's contracts that have an original duration of one year or less, the Company uses the practical expedients and has elected to recognize any incremental costs of obtaining these contracts as expensed when incurred. Further, the Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which it recognizes revenue at the amount to which it has the right to invoice for services performed.

4. ACQUISITIONS

Advantage RN

Effective July 1, 2017, the Company acquired all of the assets of Advantage RN, LLC and its subsidiaries (collectively, Advantage) for cash consideration of $86.6 million, net of cash acquired. The total purchase price of $88.0 million was subject to a net working capital reduction of $0.6 million at the closing and an additional $0.8 million was received during the third quarter of 2017 as the final adjustment for net working capital. Additionally, $0.6 million of the purchase price was deferred as of the closing and is due the seller within 20 months, less any Cobra and healthcare payments incurred by the Company on behalf of the seller. As of March 31, 2018, approximately $0.4 million has been paid for claims and the remaining $0.2 million liability is included in other current liabilities on the Company's balance sheet.

Included in the amount paid at closing were two escrow accounts, the first was $14.5 million which related to tax liabilities and the second was $7.5 million which was to cover any post-close liabilities. On July 28, 2017, $7.3 million related to the tax liabilities was released from escrow, leaving a balance of $7.2 million, with the escrow to cover post-close liabilities remaining unchanged.

The Company financed the purchase using $19.9 million in available cash and $66.9 million in borrowing under its Credit Facility, including a $40.0 million incremental term loan, which was subsequently refinanced on August 1, 2017. See Note 8 - Debt for further information. The transaction is treated as a purchase of assets for income tax purposes.

Advantage is primarily a travel nurse staffing company that deploys many of its nurses through MSPs and Vendor Management Systems, and Advantage maintains direct relationships with many hospitals throughout the United States. This was a strategic acquisition to help the Company fill its recent MSP contract wins, and for revenue growth.

The acquisition has been accounted for in accordance with FASB ASC 805, Business Combinations, using the acquisition method of accounting. As such, the results of Advantage from July 1, 2017 are included in the Company's consolidated statement of operations. The acquisition results have been substantially aggregated with the Company's Nurse and Allied Staffing business segment and the associated goodwill related to the acquisition of Advantage is fully allocated to Nurse and Allied Staffing.

Pro Forma Financial Information

The following unaudited pro forma financial information approximates the consolidated results of operations of the Company as if the Advantage acquisition had occurred as of January 1, 2017, after giving effect to certain adjustments, including additional interest expense on the amount the Company borrowed on the date of the transaction, the amortization of acquired intangible assets, and the elimination of certain expenses that will not be recurring in post-acquisition periods, net of an estimated income tax impact. These adjustments include removing transaction-related expenses of approximately $0.2 million for the three months ended March 31, 2017. These results are not necessarily indicative of future results as they do not include incremental investments in support functions, elimination of costs for integration or operating synergies, or an estimate of any impact on interest expense resulting from the operating cash flow of the acquired business, among other adjustments that could be made in the future but are not factually supportable on the date of the transaction.

	Three Months Ended March 31, 2017 (unaudited, amounts in thousands except per share data)
Revenue from services	$233,573
Net loss attributable to common shareholders	$(874)
Net loss per common share attributable to common shareholders - basic	$(0.03)
Net loss per common share attributable to common shareholders - diluted	$(0.05)

US Resources Healthcare

On December 1, 2016, the Company completed the acquisition of a recruitment process outsourcing business, US Resources Healthcare, LLC (USR). This acquisition expands the Company's workforce solutions offerings to deliver financial and operating efficiencies through labor optimization services while enhancing the quality of care.

The agreement specified that the sellers were eligible to receive additional purchase price consideration of $4.5 million, with a maximum of $1.0 million for 2017, $2.0 million for 2018, and $1.5 million for 2019, based on attainment of specific performance criteria achieved in each of those years. The earnout for 2017 was not achieved. As of March 31, 2018, the fair value of the remaining obligations was estimated at $0.2 million and is included in other current liabilities and contingent consideration on the condensed consolidated balance sheets. See Note 10 - Fair Value Measurements.

Mediscan

On October 30, 2015, the Company completed the acquisition of all of the membership interests of New Mediscan II, LLC, Mediscan Diagnostic Services, LLC, and Mediscan Nursing Staffing, LLC (collectively, Mediscan). Earnouts related to the attainment of specific performance criteria in 2016 and 2017 were not achieved. In connection with the Mediscan acquisition, the Company also assumed contingent purchase price liabilities for a previously acquired business that are payable annually based on specific performance criteria for the 2016 through 2019 years. As of March 31, 2018, payments related to the year 2018 are limited to $0.3 million and 2019 is uncapped. During the three months ended March 31, 2018, the Company paid $0.1 million related to the year 2017. As of March 31, 2018, the fair value of the remaining obligations was estimated at $5.3 million and is included in other current liabilities and contingent consideration on the condensed consolidated balance sheets. See Note 10 - Fair Value Measurements.

5. COMPREHENSIVE INCOME (LOSS)

Total comprehensive income (loss) includes net income or loss, foreign currency translation adjustments, and net change in derivative transactions, net of any related deferred taxes. Certain of the Company’s foreign subsidiaries use their respective local currency as their functional currency. In accordance with the Foreign Currency Matters Topic of the FASB ASC, assets and liabilities of these operations are translated at the exchange rates in effect on the balance sheet date. Income statement items are translated at the average exchange rates for the period. The cumulative impact of currency fluctuations related to the balance sheet translation is included in accumulated other comprehensive loss in the accompanying condensed consolidated balance sheets and was approximately \$1.4 million at March 31, 2018 and \$1.2 million at December 31, 2017. The cumulative impact of net changes in derivative instruments included in other comprehensive loss in the condensed consolidated balance sheets was approximately \$0.2 million at March 31, 2018. See Note 9 - Derivative.

There was no income tax impact related to foreign currency translation adjustments for the three month period ended March 31, 2017.

6. EARNINGS PER SHARE

The following table sets forth the components of the numerator and denominator for the computation of the basic and diluted earnings per share:

	Three Months Ended March 31,	
	2018	2017
	(amounts in thousands, except per share data)	
Numerator:		
Net income (loss) attributable to common shareholders - Basic	$1,642	$(2,010)
Interest on Convertible Notes	—	694
Gain on derivative liability	—	(1,581)
Net income (loss) attributable to common shareholders - Diluted	$1,642	$(2,897)
Denominator:		
Weighted average common shares - Basic	35,803	32,872
Effective of diluted shares:		
Share-based awards	284	674
Convertible Notes	—	2,934
Weighted average common shares - Diluted	36,087	36,480
Net income (loss) per share attributable to common shareholders - Basic	$0.05	$(0.06)
Net income (loss) per share attributable to common shareholders - Diluted	$0.05	$(0.08)

For the quarter ended March 31, 2017, no tax benefits were assumed in the weighted average share calculation due to the Company's net operating loss position.

The Convertible Notes were repaid in full on March 17, 2017. Applying the if-converted method, 2,934,271 shares (the weighted average shares outstanding through March 17, 2017) were included in diluted weighted average shares for the three months ended March 31, 2017 because their effect was dilutive.

7. GOODWILL, TRADE NAMES, AND OTHER INTANGIBLE ASSETS

The Company had the following acquired intangible assets:

	March 31, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(amounts in thousands)					
Intangible assets subject to amortization:						
Databases	$42,909	$ 19,461	$23,448	$42,909	$ 18,702	$24,207
Customer relationships	55,524	26,734	28,790	55,524	25,912	29,612
Non-compete agreements	3,919	3,626	293	3,919	3,600	319
Trade names	7,716	1,062	6,654	7,716	878	6,838
Other intangible assets, net	$110,068	$ 50,883	$59,185	$110,068	$ 49,092	$60,976
Intangible assets not subject to amortization:						
Trade names			26,702			26,702
			$85,887			$87,678

As of March 31, 2018, estimated annual amortization expense is as follows:

Years Ending December 31:	(amounts in thousands)
2018	$ 5,375
2019	7,132
2020	7,027
2021	6,819
2022	6,743
Thereafter	26,089
	$ 59,185

As of March 31, 2018, the Company performed a qualitative assessment of each of its reporting units and determined it was less-likely-than-not that the fair value of its reporting units dropped below their carrying value. As a result, management concluded that no impairment testing was warranted as of March 31, 2018. Although management believes that the Company's current estimates and assumptions are reasonable and supportable, there can be no assurance that the estimates and assumptions made for purposes of the impairment testing will prove to be accurate predictions of future performance. As of March 31, 2018 and December 31, 2017, goodwill by reporting segment was: $88.2 million for Nurse and Allied Staffing, $20.0 million for Physician Staffing, and $9.4 million for Other Human Capital Management Services, totaling $117.6 million.

8. DEBT

The Company's long-term debt consists of the following:

	March 31, 2018		December 31, 2017	
	Principal	Debt Issuance Costs	Principal	Debt Issuance Costs
	(amounts in thousands)			
Term Loan, interest 3.91% and 3.61% at March 31, 2018 and December 31, 2017, respectively	$98,750	$ (811)	$100,000	$ (866)
Less current portion	(5,625)	—	(6,875)	—
Long-term debt	$93,125	$ (811)	$93,125	$ (866)

As of March 31, 2018, the aggregate scheduled maturities of the term loan are as follows:

	Term Loan (amounts in thousands)
Through Years Ending December 31:	