

STONEMOR PARTNERS LP
Form 10-Q
November 09, 2006
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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 September 30, 2006

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: 000-50910

STONEMOR PARTNERS L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

155 Rittenhouse Circle

80-0103159
(I.R.S. Employer

Identification No.)

19007

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Bristol, Pennsylvania
(Address of principal executive offices)

(Zip Code)

(215) 826-2800

(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 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 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

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

The number of the registrant's outstanding common units at November 9, 2006 was 4,795,780.

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Table of Contents**Part I Financial Information****Item 1. Financial Statements****StoneMor Partners L.P.****Condensed Consolidated Balance Sheets**

(in thousands)

(unaudited)

	December 31, 2005	September 30, 2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,925	\$ 14,382
Accounts receivable, net of allowance	29,991	27,842
Prepaid expenses	2,420	3,003
Other current assets	1,316	2,165
Total current assets	40,652	47,392
LONG-TERM ACCOUNTS RECEIVABLE - net of allowance	33,672	30,896
CEMETERY PROPERTY	164,772	164,588
PROPERTY AND EQUIPMENT, net of accumulated depreciation	27,091	30,428
MERCHANDISE TRUSTS, restricted, at fair value	113,432	144,488
PERPETUAL CARE TRUSTS, restricted, at fair value	136,719	161,596
DEFERRED FINANCING COSTS - net of accumulated amortization	1,985	1,428
DEFERRED SELLING AND OBTAINING COSTS	30,554	33,082
OTHER ASSETS	1,958	2,017
TOTAL ASSETS	\$ 550,835	\$ 615,915
LIABILITIES AND PARTNERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 7,461	\$ 5,714
Accrued interest	260	306
Current portion, long-term debt	641	823
Total current liabilities	8,362	6,843
LONG-TERM DEBT	86,304	101,684
DEFERRED CEMETERY REVENUES, net	167,844	191,396
MERCHANDISE LIABILITY	42,621	49,165
TOTAL LIABILITIES	305,131	349,088
COMMITMENTS AND CONTINGENCIES		
NON-CONTROLLING INTEREST IN PERPETUAL CARE TRUSTS	136,719	161,596
PARTNERS EQUITY		
General partner	1,537	1,461
Limited partners:		
Common	72,750	73,693

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Subordinated	34,698	30,077
Total partners' equity	108,985	105,231
TOTAL LIABILITIES AND PARTNERS' EQUITY	\$ 550,835	\$ 615,915

See Accompanying Notes to the Condensed Consolidated Financial Statements.

Table of Contents**StoneMor Partners L.P.****Condensed Consolidated Statement of Operations**

(in thousands, except unit data)

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2005	2006	2005	2006
Revenues:				
Cemetery	\$ 24,309	\$ 25,670	\$ 69,353	\$ 78,025
Funeral home	512	1,115	1,662	3,704
Total revenues	24,821	26,785	71,015	81,729
Costs and Expenses:				
Cost of goods sold (exclusive of depreciation shown separately below):				
Land and crypts	1,621	1,278	4,209	4,141
Perpetual care	687	794	2,094	2,377
Merchandise	1,346	1,457	3,796	4,146
Cemetery expense	5,544	5,983	15,872	17,985
Selling expense	5,134	5,270	14,595	16,689
General and administrative expense	2,736	3,105	7,658	9,255
Corporate overhead	3,799	3,772	10,391	12,006
Depreciation and amortization	712	842	2,580	2,588
Funeral home expense	496	942	1,366	2,996
Total cost and expenses	22,075	23,443	62,561	72,183
OPERATING PROFIT	2,746	3,342	8,454	9,546
INTEREST EXPENSE	1,631	1,860	4,800	5,375
INCOME BEFORE INCOME TAXES	1,115	1,482	3,654	4,171
INCOME TAXES:				
State	376	130	620	385
Federal	83	293	358	706
Total income taxes	459	423	978	1,091
NET INCOME	\$ 656	\$ 1,059	\$ 2,676	\$ 3,080
General partner's interest in net income for the period	\$ 14	\$ 21	\$ 54	\$ 62
Limited partners' interest in net income for the period				
Common	\$ 321	\$ 536	\$ 1,311	\$ 1,558
Subordinated	\$ 321	\$ 502	\$ 1,311	\$ 1,460
Net income per limited partner unit (basic and diluted)	\$.08	\$.12	\$.31	\$.34
Weighted average number of limited partners' units outstanding (basic and diluted)	8,480	8,767	8,480	8,763

See Accompanying Notes to the Condensed Consolidated Financial Statements.

Table of Contents**StoneMor Partners L.P.****Condensed Consolidated Statement of****Partners Equity**

(in thousands)

(unaudited)

	Partners Capital			General	
	Common	Subordinated	Total	Partner	Total
Balance, December 31, 2005	\$ 72,750	\$ 34,698	\$ 107,448	\$ 1,537	108,985
Net Income	476	446	922	19	941
Cash distribution	(2,148)	(2,013)	(4,161)	(86)	(4,247)
Balance, March 31, 2006	\$ 71,078	\$ 33,131	\$ 104,209	\$ 1,470	\$ 105,679
Net Income	546	512	1,058	22	1,080
Cash distribution	(2,171)	(2,034)	(4,205)	(86)	(4,291)
Balance, June 30, 2006	\$ 69,453	\$ 31,609	\$ 101,062	\$ 1,406	\$ 102,468
Proceeds from units issued in acquisition	5,875		5,875		5,875
General partner contribution				120	120
Net Income	536	502	1,038	21	1,059
Cash distribution	(2,171)	(2,034)	(4,205)	(86)	(4,291)
Balance, September 30, 2006	\$ 73,693	\$ 30,077	\$ 103,770	\$ 1,461	\$ 105,231

See Accompanying Notes to the Condensed Consolidated Financial Statements.

Table of Contents**StoneMor Partners L.P.****Condensed Consolidated Statement of Cash Flows**

(in thousands)

(unaudited)

	Nine months ended September 30,	
	2005	2006
OPERATING ACTIVITIES:		
Net income	\$ 2,676	\$ 3,080
Adjustments to reconcile net income to net cash provided by operating activity:		
Cost of lots sold	2,856	3,258
Depreciation and amortization	2,580	2,588
Deferred income tax	459	
Other non cash		376
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	321	9,828
Allowance for doubtful accounts		500
Merchandise trust fund	6,738	(1,419)
Prepaid expenses	(866)	(583)
Other current assets	(256)	(1,085)
Other assets	(8)	(57)
Accounts payable and accrued and other liabilities	(1,758)	(1,755)
Deferred selling and obtaining costs	(1,292)	(2,528)
Deferred cemetery revenue	5,505	9,147
Merchandise liability	(5,349)	(4,907)
Net cash provided by operating activities	11,606	16,443
INVESTING ACTIVITIES:		
Cost associated with potential acquisitions	(1,706)	