

STONEMOR PARTNERS LP
Form 10-Q
August 10, 2009
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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, 2009

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)

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Delaware
(State or other jurisdiction of
incorporation or organization)

80-0103159
(I.R.S. Employer
Identification No.)

311 Veterans Highway, suite B

Levittown, Pennsylvania
(Address of principal executive offices)

19056
(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 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 Accelerated filer

Non-accelerated filer (Do not check if 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

The number of the registrant's outstanding common units at August 10, 2009 was 9,771,443

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(in thousands)

(unaudited)

	December 31, 2008	June 30, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,068	\$ 11,275
Accounts receivable, net of allowance	33,090	37,828
Prepaid expenses	3,422	3,853
Other current assets	14,477	13,073
Total current assets	58,057	66,029
Long-term accounts receivable net of allowance	42,309	47,874
Cemetery property	228,499	232,901
Property and equipment, net of accumulated depreciation	49,615	48,518
Merchandise trusts, restricted, at fair value	161,605	175,502
Perpetual care trusts, restricted, at fair value	152,797	168,500
Deferred financing costs net of accumulated amortization	2,425	6,850
Deferred selling and obtaining costs	41,795	46,540
Deferred tax assets	138	345
Other assets	1,000	1,266
Total assets	\$ 738,240	\$ 794,325
Liabilities and partners capital		
Current liabilities		
Accounts payable and accrued liabilities	\$ 25,702	\$ 26,061
Accrued interest	659	1,442
Current portion, long-term debt	80,478	2,392
Total current liabilities	106,839	29,895
Other long-term liabilities	1,837	3,612
Long-term debt	80,456	179,156
Deferred cemetery revenues, net	193,017	222,537
Deferred tax liabilities	7,928	7,928
Merchandise liability	75,977	76,160
Perpetual care trust corpus	152,797	168,500
Total liabilities	618,851	687,788

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Partners' capital		
General partner	2,271	1,859
Limited partners:		
Common	111,052	100,829
Subordinated	6,066	3,849
Total partners' capital	119,389	106,537
Total liabilities and partners' capital	\$ 738,240	\$ 794,325

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 June 30,		Six months ended June 30,	
	2008	2009	2008	2009
Revenues:				
Cemetery				
Merchandise	\$ 24,152	\$ 23,456	\$ 45,105	\$ 42,732
Services	9,755	9,534	18,989	18,772
Investment and other	8,382	9,049	15,447	16,865
Funeral home				
Merchandise	2,198	2,320	4,587	4,929
Services	3,449	3,443	7,221	7,102
Total revenues	47,936	47,802	91,349	90,400
Costs and Expenses:				
Cost of goods sold (exclusive of depreciation shown separately below):				
Perpetual care	1,051	1,423	2,152	2,428
Merchandise	4,513	4,736	9,137	8,531
Cemetery expense	10,966	10,412	20,453	19,851
Selling expense	8,921	8,618	17,126	16,444
General and administrative expense	5,300	5,411	10,529	10,890
Corporate overhead (including \$642 and \$383 in unit-based compensation for the three months ended June 30, 2008 and 2009 and \$1,258 and \$757 for the six months ended June 30, 2008 and June 30, 2009)	5,568	5,497	11,017	10,863
Depreciation and amortization	1,042	1,708	2,007	3,018
Funeral home expense				
Merchandise	881	944	1,863	1,911
Services	2,294	2,296	4,515	4,702
Other	1,610	1,471	3,027	2,899
Acquisition related costs		542		2,128
Total cost and expenses	42,146	43,058	81,826	83,665
Operating profit	5,790	4,744	9,523	6,735
Other income and expense				
Gain on sale of funeral homes				475
Interest expense	3,215	3,202	6,319	6,371
Income before income taxes	2,575	1,542	3,204	839
Income taxes:				
State	245	39	411	201
Federal	98	(136)	103	(136)

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Total income taxes	343	(97)	514	65
Net income	\$ 2,232	\$ 1,639	\$ 2,690	\$ 774
General partner's interest in net income for the period	\$ 45	\$ 33	\$ 54	\$ 15
Limited partners' interest in net income for the period				
Common	\$ 1,597	\$ 1,320	\$ 1,925	\$ 623
Subordinated	\$ 590	\$ 286	\$ 711	\$ 136
Net income per limited partner unit (basic and diluted)	\$.18	\$.14	\$.22	\$.06
Weighted average number of limited partners' units outstanding (basic and diluted)	11,801	11,891	11,793	11,891

See Accompanying Notes to the Condensed Consolidated Financial Statements.

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

(in thousands)

(unaudited)

	Partners Capital		General Partner	Total
	Common	Limited Partners Subordinated		
Balance, December 31, 2008	\$ 111,052	\$ 6,066	\$ 2,271	\$ 119,389
Net loss	(697)	(151)	(17)	(865)
Cash distribution	(5,423)	(1,176)	(214)	(6,813)
Balance, March 31, 2009	\$ 104,932	\$ 4,739	\$ 2,040	\$ 111,711
Net income	1,320	286	33	1,639
Cash distribution	(5,423)	(1,176)	(214)	(6,813)
Balance, June 30, 2009	\$ 100,829	\$ 3,849	\$ 1,859	\$ 106,537

See Accompanying Notes to the Condensed Consolidated Financial Statements.

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StoneMor Partners L.P.

Condensed Consolidated Statement of Cash Flows

(in thousands)

(unaudited)

	For the six months ended June 30,	
	2008	2009
Operating activities:		
Net income	\$ 2,690	\$ 774
Adjustments to reconcile net income to net cash provided by operating activity:		
Cost of lots sold	3,385	2,616
Depreciation and amortization	2,007	