

ITT EDUCATIONAL SERVICES INC  
Form 10-Q/A  
July 23, 2004

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q/A**

(Mark One)

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

**For the quarterly period ended March 31, 2004**

**OR**

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**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 1-13144**

**ITT EDUCATIONAL SERVICES, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**36-2061311**

(I.R.S. Employer Identification No.)

**13000 North Meridian Street  
Carmel, Indiana**

(Address of principal executive offices)

**46032-1404**

(Zip Code)

Registrant's telephone number, including area code: **(317) 706-9200**

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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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☒ No ☐

**45,715,429**

Number of shares of Common Stock, \$.01 par value, outstanding at March 31, 2004.

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**ITT EDUCATIONAL SERVICES, INC.**

Indianapolis, Indiana

Quarterly Report to Securities and Exchange Commission

March 31, 2004

**PART I**

**FINANCIAL INFORMATION**

**EXPLANATORY NOTE**

## Edgar Filing: ITT EDUCATIONAL SERVICES INC - Form 10-Q/A

This Amendment on Form 10-Q/A amends and restates our Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, which was filed on April 27, 2004 (the Original 10-Q Filing ). As disclosed in the Original 10-Q Filing, our registered public accounting firm, PricewaterhouseCoopers LLP, could not complete its review of the unaudited consolidated financial statements contained therein, prior to the completion of the investigation of the Special Committee of our Board of Directors into the facts and circumstances relating to the current investigations of us being conducted by the U.S. Department of Justice and the Office of the Attorney General for the State of California and the securities class action lawsuits that have been filed against us and the other defendants named therein. In late June 2004, the Special Committee reported on its investigation to our Board of Directors. This Amendment is being filed to revise the Explanatory Note, Note 1 to our consolidated financial statements and the certifications pursuant to 18 U.S.C. Section 1350 to reflect the fact that, in late June 2004, our registered public accounting firm completed its review of our financial results for the quarter ended March 31, 2004 in accordance with Rule 10-01(d) of Regulation S-X promulgated by the Securities and Exchange Commission (the SEC ). Other than such changes, we have not updated the information contained herein to reflect events and transactions occurring subsequent to the date of the Original 10-Q Filing on April 27, 2004. Events have taken place that would have been reflected in the Original 10-Q Filing if they had taken place prior to the date of the Original 10-Q Filing. We recommend that this report be read in conjunction with our reports filed with the SEC subsequent to April 27, 2004, and in particular, our Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, which will be filed with the SEC shortly.

### Item 1. FINANCIAL STATEMENTS.

#### INDEX

Consolidated Statements of Income (unaudited) for the three months ended March 31, 2004 and 2003

Consolidated Balance Sheets as of March 31, 2004 and 2003 (unaudited) and December 31, 2003

Consolidated Statements of Cash Flows (unaudited) for the three months ended  
March 31, 2004 and 2003

Consolidated Statements of Shareholders' Equity for the three months ended  
March 31, 2004 (unaudited) and the year ended December 31, 2003

Notes to Consolidated Financial Statements

**ITT EDUCATIONAL SERVICES, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In thousands, except per share data)  
(unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>Revenues</b>	\$ 141,730	\$ 119,000
<b>Costs and Expenses</b>		
Cost of educational services	76,493	68,333
Student services and administrative expenses	41,449	36,998
Special legal costs	9,700	
Total costs and expenses	127,642	105,331
Operating income	14,088	13,669
Interest income, net	709	448
Income before income taxes	14,797	14,117
Income taxes	5,771	5,435
Net income	\$ 9,026	\$ 8,682
Earnings per common share (basic):	\$ 0.20	\$ 0.19
Earnings per common share (diluted):	\$ 0.19	\$ 0.19

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

## ITT EDUCATIONAL SERVICES, INC.

## CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	March 31, 2004 (unaudited)	December 31, 2003	March 31, 2003 (unaudited)
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 186,428	\$ 168,273	\$ 106,451
Restricted cash		8,496	
Short-term investments	58,855	63,938	28,264
Accounts receivable, net	8,519	9,398	9,162
Deferred and prepaid income tax	6,846	2,906	2,609
Prepays and other current assets	6,972	3,635	8,232
Total current assets	267,620	256,646	154,718
Property and equipment, net	79,660	81,503	66,566
Direct marketing costs	11,979	10,844	10,555
Investments	20,674	13,467	
Other assets	961	810	1,707
Total assets	\$ 380,894	\$ 363,270	\$ 233,546
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Accounts payable	\$ 36,627	\$ 36,543	\$ 24,695
Accrued compensation and benefits	12,335	16,986	4,900
Other accrued liabilities	25,878	18,444	9,306
Deferred revenue	127,685	130,364	98,323
Total current liabilities	202,525	202,337	137,224
Deferred income tax	4,709	4,691	5,318
Minimum pension liability	7,012	7,012	8,041
Other liabilities	3,004	3,106	2,038
Total liabilities	217,250	217,146	152,621
Shareholders' equity			
Preferred stock, \$.01 par value, 5,000,000 shares authorized, none issued or outstanding			
Common stock, \$.01 par value, 150,000,000 shares authorized, 54,068,904 issued	540	540	540
Capital surplus	57,097	52,688	45,014
Retained earnings	228,397	221,400	181,999
Accumulated comprehensive income	(4,263)		