

INTEGRAMED AMERICA INC  
Form 10-K/A  
February 03, 2010

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K/A  
Amendment No. 3

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2008

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 No. 0-20260

INTEGRAMED AMERICA, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

06-1150326  
(I.R.S. Employer Identification No.)

Two Manhattanville Road, Purchase, New York  
(Address of principal executive offices)

10577  
(Zip Code)

(914) 253-8000  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, \$.01 par value	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act:  
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes            No    X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act.

Yes            No    X

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 X No

Indicate by check mark if disclosure of delinquent filer pursuant to Item 405 of Regulation S-K (17 CFR 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [X ]

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. (Check one):

Large Accelerated Filer:	Accelerated Filer	X
Non-Accelerated Filer: (Do not check if a smaller reporting company)	Small 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    X

Aggregate market value of voting stock (Common Stock, \$.01 par value) held by non-affiliates of the Registrant was approximately \$61.9 million on June 30, 2008 based on the closing sales price of the Common Stock on such date.

The aggregate number of shares of the Registrant's Common Stock, \$.01 par value, outstanding was approximately 8,760,300 on March 17, 2009.

EXPLANATORY NOTE

IntegraMed America, Inc. (“we” or the “Company”) is filing this Amendment No. 3 on Form 10-K/A (the “Amendment”) to amend its Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the Securities and Exchange Commission on March 31, 2009 (the “Original Filing”), as amended by Amendment No. 1 to the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on June 5, 2009, and Amendment No. 2 to the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on December 14, 2009. The Amendment amends “Item 8 Financial Statements and Supplementary Data”, as well as the Report of Independent Registered Public Accounting Firm. In addition, new certifications are filed as exhibits to the Amendment. The Amendment only sets forth the information that has been amended and does not restate the Annual Report on Form 10-K in its entirety. The Amendment is filed to revise the date of the Report of the Independent Registered Public Accounting Firm to reflect a previous restatement, and to describe such restatement, as well as a previous restatement, as corrections of errors. There have been no changes to any of the previously reported amounts.

The Amendment does not reflect events occurring after the filing of the Original Filing and unless otherwise stated herein, the information contained in the Amendment is current only as of the time of the Original Filing. Except as described above, no other changes have been made to the Original Filing. Accordingly, the Amendment should be read in conjunction with the Company’s filings made with the Securities and Exchange Commission subsequent to the filing of the Original Filing, including the Company’s definitive proxy statement filed on April 15, 2009.

ITEM Financial Statements and Supplementary Data

8.

See Index to Financial Statements on Page F-1.

3

---

FINANCIAL STATEMENTS

Item 8 and 15 (a)(1)

Contents

IntegraMed America, Inc	Page
Report of Independent Registered Public Accounting Firm	F-2-3
Consolidated Balance Sheets as of December 31, 2008 and 2007	F-4
Consolidated Statements of Operations for the years ended December 31, 2008, 2007 and 2006	F-5
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2008, 2007 and 2006	F-6
Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2007 and 2006	F-7
Notes to Consolidated Financial Statements	F-8
Financial Statement Schedule	
Report of Independent Registered Public Accounting Firms on Financial Statement Schedule II	S-1
Valuation and Qualifying Accounts	S-2

---

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and  
Shareholders of IntegraMed America, Inc.

We have audited the accompanying consolidated balance sheets of IntegraMed America, Inc. as of December 31, 2008 and 2007 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2008. We also have audited IntegraMed America, Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). IntegraMed America, Inc.'s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying consolidated financial statements. Our responsibility is to express an opinion on these financial statements and an opinion on the company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management has identified and included in its assessment of internal controls over financial reporting the following material weakness as of December 31, 2008. The Company's systems did not properly recognize as revenue, with an

equal reduction to the recorded liability (deferred revenue), a portion of nonrefundable fees on patients who voluntarily withdrew from the IVF Attain program. This material weakness resulted in restatement of the Company's previously issued financial statements for the years ended 2001 through 2008.

F-2

---

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IntegraMed America, Inc. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, management's assessment that IntegraMed America, Inc. did not maintain effective internal control over financial reporting as of December 31, 2008 is fairly stated based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, as a result of the material weakness identified in the previous paragraph, IntegraMed America, Inc. has not maintained effective internal control over financial reporting as of December 2008 based on criteria established in Internal Control-Integrated Framework issued by COSO.

As discussed in Note 2 to the consolidated financial statements, the Company restated its consolidated financial statements as of December 31, 2008, 2007 and 2006.

As discussed in Note 15 to the consolidated financial statements, effective January 1, 2007, the Company adopted the provisions of Financial Interpretation (FIN) No. 48 "Accounting for Uncertainty in Income Taxes- an interpretation of Statement of Financial Accounting Standards No. 109."

/s/Amper, Politziner & Mattia, LLP

Edison, New Jersey

March 30, 2009, except for the restatement discussed in Note 2  
to the Consolidated Financial Statements, as to which the date is  
October 28, 2009.



## PART I — FINANCIAL INFORMATION

## Item 1. Consolidated Financial Statements

INTEGRAMED AMERICA, INC.  
CONSOLIDATED BALANCE SHEETS  
(all dollars in thousands, except share amounts)

	December 31, 2008 (restated)	December 31, 2007 (restated)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 28,275	\$ 23,740
Patient and other receivables, net	6,681	5,511
Deferred taxes	5,744	5,565
Other current assets	6,466	4,668
Total current assets	47,166	39,484
Fixed assets, net	16,618	16,912
Intangible assets, Business Service Rights, net	21,956	22,305
Goodwill	29,478	29,359
Trademarks	4,442	4,492
Other assets	1,781	1,619
Total assets	\$ 121,441	\$ 114,171
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 2,853	\$ 1,895
Accrued liabilities	17,818	17,760
Current portion of long-term notes payable and other obligations	11,351	3,661
Due to Fertility Medical Practices	6,354	9,043
Attain IVF Refund Program deferred revenue and other Patient Deposits	11,237	10,560
Total current liabilities	49,613	42,919
Long-term notes payable and other obligations	18,868	21,799
Deferred and other tax liabilities	696	1,819
Total Liabilities	69,177	66,537
Commitments and Contingencies		
Shareholders' equity:		
Common Stock, \$.01 par value – 15,000,000 shares authorized in 2008 and 2007, respectively, 8,668,376 and 8,572,258 shares issued and outstanding in 2008 and 2007, respectively	87	86
Capital in excess of par	54,943	53,890
Other comprehensive loss	(375 )	(82 )

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-K/A

Treasury stock, at cost – 22,682 and 14,175 shares in 2008 and 2007, respectively	(211 )	(165 )
Accumulated deficit	(2,180 )	(6,095 )
Total shareholders' equity	52,264	47,634
Total liabilities and shareholders' equity	\$ 121,441	\$ 114,171

See accompanying notes to the consolidated financial statements.

F-4

---

INTEGRAMED AMERICA, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(all amounts in thousands, except per share amounts)

	For the Year ended		
	2008 (restated)	2007 (restated)	2006 (restated)
Revenues, net			
Fertility Centers	\$ 138,440	\$ 121,078	\$ 112,767
Consumer Services	19,763	16,460	13,553
Vein Clinics	39,950	14,284	
Total revenues	198,153	151,822	126,320
Costs of services and sales:			
Fertility Centers	128,224	111,059	104,357
Consumer Services	14,344	12,336	9,421
Vein Clinics	37,299	13,304	
Total costs of services and sales	179,867	136,699	113,778
Contribution			
Fertility Centers	10,216	10,019	8,410
Consumer Services	5,419	4,124	4,132
Vein Clinics	2,651	980	
Total contribution	18,286	15,123	12,542
General and administrative expenses	10,654	10,537	9,380
Interest income	(383 )	(1,256 )	(1,073 )
Interest expense	1,563	1,136	695
Total other expenses	11,834	10,417	9,002
Income before income taxes	6,452	4,706	3,540
Income tax provision	2,537	1,662	1,291
Income tax benefit			(821 )
Net income	\$ 3,915	\$ 3,044	\$ 3,070
Basic and diluted net earnings per share:			
Basic earnings per share	\$ 0.45	\$ 0.37	\$ 0.38
Diluted earnings per share	\$ 0.45	\$ 0.36	\$ 0.37
Weighted average shares - basic	8,618	8,310	8,090
Weighted average shares - diluted	8,691	8,410	8,194

See accompanying notes to the consolidated financial statements.

F-5

---

INTEGRAMED AMERICA, INC.  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
(all amounts in thousands)  
(Restated)

	Common Stock		Capital	Accumulated	Treasury Stock		Accumulated	Total
	Shares	Amount	in Excess of Par	Comprehensive Income (Loss)	Shares	Amount	Deficit	Equity
<b>B A L A N C E A T</b>								
DECEMBER 31, 2005	8,008	\$ 80	\$ 49,364		133	\$ (937 )	\$ (12,209 )	\$ 36,298
Stock grants issued, net	85	1	58					59
Stock grant compensation expense amortization			405					405
Exercise of common stock options and related tax benefits	187	1	498					499
Amortization of common stock option compensation expense			87					87
Unrealized loss on hedging transaction				(9 )				(9 )
Retirement of Treasury stock, net of shares issued upon exercise of options or issuance of stock grants	(153 )	(1 )	(1,167 )		(133 )	937		(231 )
Net income for the year ended 12/31/06							3,070	3,070
<b>B A L A N C E A T</b>								
DECEMBER 31, 2006	8,127	81	49,245	(9 )			(9,139 )	40,178
Stock grants issued, net	78				19	(228 )		(228 )
Stock grant compensation expense amortization			558					558
Exercise of common stock options and related tax benefits	35	1	154					155
Treasury stock transactions, net	(5 )		(63 )		(5 )	63		
Issuance of common stock upon acquisition of Vein Clinics of America, Inc.	337	4	3,996					4,000
Unrealized loss on hedging transaction				(73 )				(73 )

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-K/A

Net income for the year ended 12/31/07							3,044	3,044
<b>B A L A N C E A T</b>								
DECEMBER 31, 2007	8,572	86	53,890	(82 )	14	(165 )	(6,095 )	47,634
Stock grants issued, net	99	1	(1 )					
Stock grant compensation expense amortization			858					858
Exercise of common stock options and related tax benefits	11	1	360		2	(23 )		338
Treasury stock transactions, net	(14 )	(1 )	(164 )		7	(23 )		(188 )
Unrealized loss on hedging transaction				(293 )				(293 )
Net income for the year ended 12/31/08							3,915	3,915
<b>B A L A N C E A T</b>								
DECEMBER 31, 2008	8,668	\$ 87	\$ 54,943	\$ (375 )	23	\$ (211 )	\$ (2,180 )	\$ 52,264

See accompanying notes to the consolidated financial statements

INTEGRAMED AMERICA, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(all amounts in thousands)

	For the Twelve-month period Ended December 31,		
	2008 (restated)	2007 (restated)	2006 (restated)
Cash flows from operating activities:			
Net income	\$3,915	\$3,044	\$3,070
Adjustments to reconcile net income to net cash provided operating activities:			
Depreciation and amortization	7,288	6,450	5,705
Deferred income tax provision	(1,068 )	469	(799 )
Deferred or stock-based compensation	858	558	492
Changes in assets and liabilities —			
Decrease (increase) in assets, net of assets acquired from VCA			
Patient and other accounts receivables	(1,170 )	(378 )	45
Prepays and other current assets	(643 )	(1,040 )	(403 )
Other assets	(162 )	(122 )	(99 )
(Decrease) increase in liabilities, net of liabilities acquired from VCA			
Accounts payable	958	(271 )	590
Accrued liabilities	(1,097 )	285	4,106
Due to medical practices	(2,689 )	4,744	(650 )
Attain IVF deferred revenue and other patient deposits	677	2,217	1,906
Net cash provided by operating activities	6,867	15,956	13,963
Cash flows from investing activities:			
Purchase of business service rights	(950 )	(2,653 )	
Cash paid to purchase VCA, net of cash acquired	(119 )	(25,409 )	
Purchase of other intangibles	50	(40 )	(12 )
Purchase of fixed assets and leasehold improvements, net	(5,695 )	(6,222 )	(3,233 )
Net cash used in investing activities	(6,714 )	(34,324 )	(3,245 )
Cash flows from financing activities:			
Proceeds from issuance of debt	7,880	25,000	
Debt repayments	(3,648 )	(15,163 )	(1,382 )
Common Stock transactions, net	150	87	327
Net cash provided by (used in) financing activities	4,382	9,924	(1,055 )

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-K/A

Net increase (decrease) in cash and cash equivalents	4,535	(8,444 )	9,663
Cash and cash equivalents at beginning of period	23,740	32,184	22,521
Cash and cash equivalents at end of period	28,275	23,740	32,184

Supplemental Information:

Interest paid	1,632	1,024	695
Income taxes paid	1,526	1,130	327

See accompanying notes to the consolidated financial statements.

F-7

---



INTEGRAMED AMERICA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — THE COMPANY:

IntegraMed America, Inc. is a specialty healthcare services company offering products and services to patients and providers in the fertility and vein care segments of the health industry.

As of December 31, 2008, our fertility line of business encompassed two of our reporting segments and was comprised of 33 contracted fertility centers in major markets across the United States, with products and services designed to support fertility center growth, assist patients with treatment financing, an Attain IVF (formerly Shared Risk Refund) program and captive insurance offerings. We offer a comprehensive array of defined business services to 11 of these contracted fertility centers under our Partner program, and a more discrete menu of services to 22 other fertility centers under our Affiliate program. All 33 centers have access to our consumer services offerings which are comprised of our Attain IVF program and patient financing products.

In late 2008, our Consumer Services division re-launched its successful Shared Risk Refund program under the name “Attain IVF”. This re-branding was done to reflect advantages offered by the program beyond its basic risk sharing features and to position the program in a leadership role among smaller, similar programs offered by other providers. We have also corrected an error in our revenue recognition model for this program as described in Note 2 and Note 3. All amounts presented for 2007 and 2006 have been restated to reflect the correction of the error in revenue recognition.

Our vein clinic division, which began operations in August, 2007, is currently comprised of 33 (32 as of December 31, 2008) vein clinics in major markets, which primarily provide advanced treatment for vein diseases. We offer a comprehensive array of defined business services to these clinics which are designed to support their operations and growth.

NOTE 2 <sup>3</sup>/<sub>4</sub> RESTATEMENT OF REVENUE RECOGNITION FOR ATTAIN IVF REFUND PROGRAM:

Restatement No. 2 – The Correction of an Error

On October 28, 2009, management concluded and subsequently reported to the audit committee of our board of directors that our audited consolidated financial statements as of and for the years ended December 31, 2006, 2007, and 2008 should no longer be relied upon and will be restated due to an understatement in revenue recognized in connection with its Attain IVF Refund Program.

We had previously restated (see Restatement No. 1- Correction of an Error in Revenue Recognition Policy for the Attain IVF Program below) certain financial statements after determining that they could not be relied upon. Specifically, we restated our prior financial statements with respect to the correction of an error in the timing

of revenue and profit recognition of \$3,477,000 of the revenue related to our Attain IVF Refund Program within our Consumer Services Division for the years 2001 through 2008. That restatement did not impact the cash flows from operations of this program or the ultimate profits to be recognized, only the timing of the revenue and profit recognition.

Subsequent to Restatement No. 1, we developed, programmed and tested a new patient management and revenue recognition system for our Attain IVF Refund Program. The new system recently reached sufficient operating proficiency to allow input of the patient information related to our Attain IVF Refund Program. As a result, we identified that the deferred revenue amount of \$3,477,000, related to the years 2001 through 2008, that had been previously restated should have been only \$822,000. We determined that while the previous system properly accounted for the recognition of the proportional fair value revenue related to the non-refundable portion of the patient fee (which was the subject of a comment and review process by the Staff of the Division of Corporation Finance of the Securities and Exchange Commission (SEC)), it assumed all patients would either achieve pregnancy or utilize all services available to them under the program. It is a fact that most of the patients that seek a refund, do so prior to utilizing all services available under the program. As a result, our revenue recognition model failed to recognize as revenue the remaining deferred revenue portion of the non-refundable fee on that class of patients.

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The change in our Consolidated Balance Sheet and Consolidated Statement of Operations as of and for the twelve months ended December 31, 2008, 2007 and 2006 related to Restatement No. 2 is presented below (000's, except per share amounts):

	Twelve Months Ending December 31,		
	2008	2007	2006
Revenue recognized from prior period	\$ 750	\$ 1,406	\$ 1,908
Revenue deferred to future period	0	(750 )	(1,406 )
Net change in period revenue	\$ 750	\$ 656	\$ 502
Revenue as reported	\$ 197,403	\$ 151,166	\$ 125,818
Net change in reported revenue	750	656	502
Revenue as restated	\$ 198,153	\$ 151,822	\$ 126,320
Income before income taxes as reported	\$ 5,715	\$ 4,062	\$ 3,047
Net change in reported revenue	750	656	502
Net change in reserve for medical costs	(13 )	(12 )	(9 )
Income before income taxes as restated	\$ 6,452	\$ 4,706	\$ 3,540
Income tax provision as reported	\$ 2,227	\$ 1,392	\$ 263
Net change in income taxes from above adjustments	310	270	207
Income tax provision as restated	\$ 2,537	\$ 1,662	\$ 470
Net Income as reported	\$ 3,488	\$ 2,670	\$ 2,784
Summary of above adjustments	427	374	286
Net income as restated	\$ 3,915	\$ 3,044	\$ 3,070
Diluted earnings per share as reported	\$ 0.40	\$ 0.32	\$ 0.34
Change in earnings per share from above adjustments	\$ 0.05	\$ 0.04	\$ 0.03
Diluted earnings per share as restated	\$ 0.45	\$ 0.36	\$ 0.37
Current liabilities as reported	\$ 51,126	\$ 44,005	\$ 27,856

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-K/A

Cumulative effect of restatement on current liabilities	(1,513 )	(1,086 )	(712 )
Current liabilities as restated	\$ 49,613	\$ 42,919	\$ 27,144
Shareholders Equity as reported	\$ 50,753	\$ 46,549	\$ 39,466
Cumulative effect of restatement on Shareholders Equity	1,511	1,085	712
Shareholders Equity as restated	\$ 52,264	\$ 47,634	\$ 40,178

There was no change to cash flow as a result of this restatement.

F-9

---

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restatement No. 1 – Correction of an Error in Revenue Recognition Policy for the Attain IVF Program.

The accompanying 2007 and 2006 consolidated financial statements have been restated to reflect the correction of an error in the revenue recognition policy for our attain IVF program. The 2008 data is restated as to the interim period and the full year of 2008 is shown as a comparison of the previous and new revenue recognition methods. Our previous revenue recognition policy had generally recognized the non-refundable patient fees (generally 30% of the contract amount) as revenue upon the completion of the first treatment cycle and we now recognize the non-refundable fees based on the relationship of the relative fair value of each treatment to the total fair value of the treatment package available to each patient. We also recognize a “warranty reserve” representing the estimated cost of services to be provided in the event a qualified patient miscarries. This restatement does not impact the cash flows from the operations of this program or the ultimate profits to be recognized, only the timing of the revenue recognition for a portion of the fees that we collect from our customers.

The impact of the correction of the error in the timing of revenue recognition for Restatement No. 1 only, is as follows:

	2008	2007	2006
Revenue as reported	\$ 198,084	\$ 151,998	\$ 126,438
Net Change in reported revenue	(681 )	(832 )	(620 )
Revenue as restated	\$ 197,403	\$ 151,166	\$ 125,818
Income before income taxes as reported	\$ 6,454	\$ 4,952	\$ 3,731
Net change in reported revenue	(681 )	(832 )	(620 )
Net change in reserve for medical costs	(58 )	(58 )	(64 )
Income before income taxes as restated	\$ 5,715	\$ 4,062	\$ 3,047
Income tax provision as reported	\$ 2,514	\$ 1,695	\$ 507
Net change in income taxes from above adjustments	(288 )	(304 )	(244 )
Income tax provision as restated	\$ 2,226	\$ 1,391	\$ 263
Net income as reported	\$ 3,940	\$ 3,257	\$ 3,224
Summary of above adjustments	(451 )	(586 )	(440 )
Net income as restated	\$ 3,489	\$ 2,671	\$ 2,784
Diluted earnings per share as reported	\$ 0.45	\$ 0.39	\$ 0.39
Change in earnings per share from above adjustments	(0.05 )	(0.07 )	(0.05 )
Diluted earnings per share as restated	\$ 0.40	\$ 0.32	\$ 0.34
Current liabilities as reported	\$ 47,329	\$ 40,946	\$ 25,687
Cumulative effect of restatement on liabilities	3,797	3,059	2,169

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-K/A

Current liabilities as restated	\$ 51,126	\$ 44,005	\$ 27,856
Shareholders' Equity as reported	\$ 53,158	\$ 48,503	\$ 40,834
Cumulative effect of restatement on Shareholders' Equity	(2,405 )	(1,954 )	(1,368 )
Shareholders' Equity as restated	\$ 50,753	\$ 46,549	\$ 39,466

The Cumulative Impact of Both Restatements

The cumulative effect of the corrections of errors is to decrease net income in 2008, 2007, and 2006 by (\$25,000), (\$213,000) and (\$154,000) respectively. The change in our financial statements for the years ended December 31, 2008, 2007 and 2006 for the effects of both restatements is illustrated below (000's).

F-10

---

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Twelve Months Ending December 31,		
	2008	2007	2006
Revenue initially recognized from prior period, first restatement	\$ 2,796	\$ 1,964	\$ 1,344
Revenue deferred to future period, first restatement	(3,477 )	(2,796 )	(1,964 )
Revenue initially recognized from prior period, second restatement	750	1,406	1,908
Revenue deferred to future period, second restatement	—	(750 )	(1,406 )
Net change in period revenue	\$ 69	\$ (176 )	\$ (118 )
Revenue as initially reported	\$ 198,084	\$ 151,998	\$ 126,438
Net change in reported revenue, first restatement	(681 )	(832 )	(602 )
Net change in reported revenue, second restatement	750	656	502
Revenue as restated	\$ 198,153	\$ 151,822	\$ 126,320
Income before income taxes as initially reported	\$ 6,454	\$ 4,952	\$ 3,731
Net change in reported revenue, first restatement	(681 )	(832 )	(620 )
Net change in reserve for medical costs, first restatement	(58 )	(58 )	(64 )
Net change in reported revenue, second restatement	750	656	502
Net change in reserve for medical costs, second restatement	(13 )	(12 )	(9 )
Income before income taxes as restated	\$ 6,452	\$ 4,706	\$ 3,540
Income tax provision as initially reported	\$ 2,514	\$ 1,695	\$ 507
Net change in income taxes from above adjustments, first restatement	(287 )	(304 )	(244 )
Net change in income taxes from above adjustments, second restatement	310	271	207
Income tax provision as restated	\$ 2,537	\$ 1,662	\$ 407
Net income as initially reported	\$ 3,940	\$ 3,257	\$ 3,224
Summary of above adjustments, first restatement	(452 )	(586 )	(440 )
Summary of above adjustments, second restatement	427	373	286
Net income as restated	\$ 3,915	\$ 3,044	\$ 3,070
Diluted earnings per share as initially reported	\$ 0.45	\$ 0.39	\$ 0.39
	(0.05 )	(0.07 )	(0.05 )

Change in Earnings per share from above adjustments, first restatement			
Change in earnings per share from above adjustments, second restatement	0.05	0.04	0.03
Diluted earnings per share as restated	\$ 0.45	\$ 0.36	\$ 0.37
Current liabilities as initially reported	\$ 47,329	\$ 40,946	\$ 25,687
Cumulative effect of restatement on current liabilities, first restatement	3,797	3,059	2,169
Cumulative effect of restatement on current liabilities, second restatement	(1,513 )	(1,086 )	(712 )
Current liabilities as restated	\$ 49,613	\$ 42,919	\$ 27,144
Shareholders Equity as initially reported	\$ 53,158	\$ 48,503	\$ 40,834
Cumulative effect of restatement on Shareholders Equity, first restatement	(2,405 )	(1,954 )	(1,368 )
Cumulative effect of restatement on Shareholders Equity, second restatement	1,511	1,085	712
Shareholders Equity as restated	\$ 52,264	\$ 47,634	\$ 40,178

Our new revenue recognition policy, as more fully explained in Note 3 – “Summary of Significant Accounting Policies” changes the timing of revenue recognition for non-refundable fees, and it aligns it more closely to the underlying treatment cycles delivered to the patients.

The financial statements, schedules and related footnotes reflect included herein reflect these restatements.



INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of consolidation —

The consolidated financial statements comprise the accounts of IntegraMed America, Inc. and its wholly owned subsidiaries. With the acquisition of Vein Clinics of America (VCA) in the third quarter of 2007, we reorganized our service offerings into three major product lines, Fertility Centers, Consumer Services and Vein Clinics. In our Fertility Centers Segment, we derive our revenues from business service contracts with independent fertility centers. Our Consumer Services Segment derives its revenues from fees assessed to patients enrolling in our Attain IVF Program, fees assessed to affiliated fertility clinics, and fees derived from fertility patient financing products. Our Vein Clinics Segment derives revenues from billings to patients and third party payers for treatment services rendered based upon the amount billed to the patient or their payer less any expected contractual allowances resulting from specified rates contained within payer contracts.

We evaluate whether we should report the results of the clinical operations in which we have management service contracts in accordance with FASB Interpretation No. 46 (FIN 46R) "Consolidation of Variable Interest Entities" ("VIE's"). Since we do not have a controlling financial interest in any of the fertility medical practices to which we provide services, and we are not the primary beneficiary or obligor of their financial results (our contracts provide for the physician owners of the clinics to receive any excess or deficit of profits) we do not consolidate their results. This is further supported by the facts that the physician owners of the clinics have the voting rights with respect to the entity and sufficient equity interests to fund their entity. We do have effective voting control and a controlling financial interest in the operations of each of the vein clinics, where we are the primary beneficiary and obligor of their financial results (our contracts provide for us to receive any excess or deficit of profits) and therefore consolidate the results of those clinic operations. Accordingly, we report the revenue for patient services only from the vein clinic segment and those fertility patients who enroll in the Attain IVF Program (included in our consumer services segment).

Reclassifications—

With the addition of VCA, we have realigned the way we operate our business into three segments. As a result, we have reclassified certain costs for all years presented within the three divisions to reflect this change in our operating structure and to provide a clearer view of each division's operating performance and efficiency. The result of this change is to reduce overall contribution margins and unallocated General and Administrative costs, as reported in previous periods.

Stock split effected in the form of a stock dividend —

In May 2007 and June 2006, we effected a 25% stock split in the form of a stock dividend. Where applicable, we have restated our capital accounts, shares outstanding, weighted average shares and earnings per share calculations for all years in these financial statements and related footnotes to reflect these transactions.

Revenue Recognition —

Fertility Centers - Partner service fees

Under all of our fertility Partner agreements, we receive as compensation for our services a three-part fee comprised of: (i) a tiered percentage of the fertility centers net revenues, (ii) reimbursed costs of services (costs incurred in servicing a fertility center and any costs paid on behalf of the fertility center) and (iii) either a fixed percentage ranging from 10% to 20%, or a fixed dollar amount (limited to \$1,071,000 and \$1,865,000 for the year ended December 31, 2008 at our two largest fertility centers) of the fertility centers earnings after services fees, which may be subject to further limits. All revenues from Partner contracts are recorded in the period services are rendered. Direct costs incurred by us in performing our services and costs incurred on behalf of the medical practices are reported as costs of services. Revenue and costs are recognized in the same period in which the related services have been performed.

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consumer Services - Affiliate Service Fee

Under our Affiliate agreements, we receive as compensation for our services a fixed fee dependent upon the level of service provided. All revenues and costs from Affiliate contracts are recorded in the period services are rendered.

Consumer Services – Attain IVF Program

The Attain IVF program consists of a fertility treatment package that includes a fixed number of treatment cycles for one fixed price with a significant refund if treatment is unsuccessful. We receive payment directly from consumers who qualify for the program and the patient contracts with us to provide the medical treatment. We discharge the obligation of patient treatment by arranging with affiliated fertility clinics for the provision of patient care. We pay contracted fertility centers a defined reimbursement for each treatment cycle performed. Since the Company is the primary obligor in the arrangement, has latitude in establishing the price, performs a portion of the contracted service, has discretion in supplier selection, the amount earned by the Company per transaction is not fixed and the patient looks to the Company as the contracting party, these arrangements qualify for gross accounting under EITF 99-19. We have revised our revenue recognition policy as a result of a correction of an error and have restated all periods presented to reflect the revised revenue recognition policy described below.

By contract, a portion of the enrollment fee (generally 30%) is non-refundable and is recognized as revenue based on the relative fair value of each treatment cycle completed relative to the total fair value of the contracted treatment package available to the patient, following the guidance of Emerging Issues Task Force statement 00-21. The remaining revenue, which consists of the 70% refundable portion as well as any part of the 30% non-refundable portion not yet recognized as revenue, is recorded upon the patient becoming pregnant and achieving a fetal heartbeat (most of the patients that are pregnant at this point go on to deliver a baby). We are able to record income at the time of pregnancy as we have substantially completed our obligation to the patient, discharged the patient from the care of the fertility specialists, and we can accurately estimate the amount of expenses and refunds that will become due if there is a pregnancy loss. We are able to make these estimates for pregnancy loss based upon reliable Company specific data with respect to the large homogeneous population we have served for more than seven years. Expenses prior to pregnancy related to the program and principally paid to the affiliated fertility clinic are recorded as incurred.

Accordingly, at each balance sheet date, we have established a liability for patients in the Attain IVF program for the following:

1. Deposits for customers who have not yet begun treatment and for whom no revenue has been recognized (we expect such amounts to be recognized as income or refunded within twelve to eighteen months)
2. Refund reserve for those patients who became pregnant, but may not deliver a baby (See Note 11)
3. Medical costs associated with additional treatments to a patient who became pregnant, did not deliver a baby and still has additional treatments available under their treatment package. (See Note 11)

The table below presents the balances of each of these liabilities as of the respective dates (000's):

	December 31,	
	2008	2007
Deposits or refundable fees	\$ 9,981	\$ 9,349
Refund reserve for pregnant patients	397	326
Medical cost reserve	331	272

F-13

---

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Due to the characteristics of the program, we assume the risk for a patient's treatment cost in excess of their enrollment fee should initial treatment cycles be unsuccessful. In order to moderate and manage this risk, we have developed a sophisticated statistical model and case management program in which Attain IVF patients are medically pre-approved prior to enrollment in the program. We also continuously review their clinical criteria as they undergo treatment. If, while undergoing treatment, a patient's clinical response falls outside our criteria for participation in the Attain IVF program, we have the right to remove that individual from the program, with an applicable refund to the patient. To date, our case management process has been effective in managing the risks associated with our Attain IVF program within expected limits. A patient may withdraw from the program at anytime and will be issued a refund.

The Attain IVF Program is available to the self-pay patient. Approximately 12.9%, 11.6% and 9.6% of the self-pay patients served by our network chose to enroll in the Attain IVF Program in 2008, 2007 and 2006, respectively.

#### Consumer Services - Pharmaceutical Sales

Marketing fees associated with third-party pharmaceutical sales are recorded upon shipment to customers. Our revenues for the periods presented are comprised of these marketing fees and not from the sales of actual pharmaceuticals.

#### Consumer Services - Patient Financing

A fertility treatment cycle can be an expensive process for which many patients do not have full medical insurance coverage. As a service to these patients, we can arrange financing to qualified patients of our network at rates significantly lower than credit cards and other finance companies. Our financing operations are administered by a third-party vendor and loans are made to qualified patients by an independent bank or finance organization. We are not at risk for loan losses and receive a placement fee from the lender involved. Since many financing transactions are closely associated with our Attain IVF program, financing revenues, which we receive and record at the time the loans are closed, are reported as part of that program.

#### Vein Clinics – Patient Revenues and Accounts Receivable and Allowance for Uncollectible Accounts

Our relationship with the individual medical practices comprising our vein care division meets the test for consolidation under FIN 46R "Consolidation of Variable Interest Entities". Among these tests is the fact that we hold a controlling financial interest in the medical practices, we are the primary beneficiary of the results of the practices and we are obligated to absorb any losses of the practices. As a result of these relationships, we consolidate the medical practice's patient revenues in our financial statements. These revenues are derived from the treatment of individual patients and revenue is recognized when the services are performed, net of estimated contractual allowances.

The medical practices have agreements with third-party payers that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates for reimbursed cost and discounted

charges. Revenue is reported at the estimated net realizable amounts from patients and third-party payers.

A summary of the payment arrangements with major third-party payers follows:

F-14

---

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Medicare: All outpatient services related to Medicare beneficiaries are paid based on a fixed physician fee schedule per service which is updated annually.

Other: Estimates for contractual allowances under managed care health plans are based primarily on the payment terms of contractual arrangements, such as predetermined rates per diagnosis, per diem rates or discounted fee for service rates.

Approximately 17%, of gross patient revenues of the Vein Clinics Division for the year ended December 31, 2008, related to services rendered to patients covered by the Medicare program.

Laws and regulations governing the Medicare program are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation.

Our accounts receivable are primarily comprised of patient and third-party receivables arising from services provided by our vein care division. Receivables due from third-party payers are carried at an estimated collectible value determined by the original charge for the service provided, less an estimate for contractual allowances or discounts provided to the third-party payers. Receivables due directly from patients are carried at the original charge for the service provided less an estimated allowance for uncollectible amounts. Contractual allowance and uncollectible reserve amounts are determined based on historical collection performance data and are reviewed and adjusted monthly as necessary.

#### Vein Clinics – Deferred Compensation Arrangements

The Professional Corporations providing medical services at the clinics have entered into employment agreements with physicians at clinic sites providing for multi-year bonus compensation to be accumulated over a physician's first five years of employment. Accumulated balances are paid out during the years following this period, or after specific performance targets have been met. These obligations are funded in physician designated investment accounts on a quarterly basis. At December 31, 2008, these balances totaled approximately \$938,000.

#### Intangible and Long-Lived Assets –

Our intangible assets are comprised of Business Service Rights associated with our fertility Partner contracts, Goodwill associated with our acquisition of Vein Clinics of America, Inc., and Trademarks, also principally associated with our Vein Clinic acquisition.

Business service rights represent payments we made for the right to service certain fertility centers. We amortize our non-refundable Business Service Rights on a straight-line basis over the life of the underlying contract, usually ten to twenty five years. Our refundable Business Service Rights are not amortized as they are contractually reimbursable from the medical practice upon termination of the underlying contract. Our Goodwill and Trademark assets associated with the Vein Clinics of America, Inc. acquisition are deemed to have indefinite lives and are therefore not amortized.

We test all of our intangible and long-lived assets for impairment on a regular basis in accordance with FAS 144 “Accounting for the Impairment or Disposal of Long-Lived Assets”. If we record an impairment loss, it may have a material adverse effect on our results of operations for the year in which the impairment is recorded. As of December 31, 2008, none of our long lived assets were deemed to be impaired.

F-15

---



INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Use of Estimates –

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The use of estimates and assumptions in the preparation of the accompanying consolidated financial statements is primarily related to the determination of net accounts receivable and reserves for estimated refunds due to pregnancy losses in our Attain IVF Program.

Due to Medical Practices —

Due to Medical Practices represents the net amounts owed by us by contracted medical practices in our Partner Program. This balance is comprised of amounts due to us by the medical practices for funds which we advanced for use in financing their accounts receivable, less balances owed to the medical practices by us for undistributed physician earnings and patient deposits we hold on behalf of the medical practices.

Cash and cash equivalents —

Cash and cash equivalents primarily include all highly liquid debt instruments with original maturities of three months or less, recorded at cost, which approximates market.

Concentrations of credit risk —

Financial instruments, which potentially expose us to concentrations of credit risk, consist primarily of trade receivables from patients and third-party payers which totaled approximately \$13.2 million and \$12.2 million as of December 31, 2008 and 2007 respectively. Our related reserves for uncollectible accounts and contractual allowances totaled \$6.5 million and \$6.7 million as of December 31, 2008 and 2007 respectively.

Income taxes —

We account for income taxes utilizing the asset and liability approach in accordance with Financial Accounting Standards No. 109, "Accounting For Income Taxes" (FAS 109). Deferred tax assets and liabilities are recognized on differences between the book and tax basis of assets and liabilities using presently enacted tax rates. The income tax provision is the sum of the amount of income tax paid or payable for the year as determined by applying the provisions of enacted tax laws to the taxable income for that year and the net change during the year in our deferred tax assets and liabilities. (See Note 16).

Earnings per share —

We determine earnings per share in accordance with Financial Accounting Standards No. 128) "Earnings Per Share" (FAS 128) Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares, and potential common shares, outstanding during the reporting period. (See Note 17)

Fair value of financial instruments —

The fair value of a financial instrument, such as a notes payable, represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Significant differences can arise between the fair value and carrying amounts of financial instruments that are recorded at historical cost amounts. We believe that the carrying amounts of cash and cash equivalents, our accounts receivable and accounts payable approximate fair value due to their short-term nature.

F-16

---

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2008 and 2007, the carrying amount of our long-term liabilities approximates the fair value of such instruments based upon our best estimate of interest rates that would be available to us for similar debt obligations with similar maturities.

New accounting pronouncements —

Recently Issued Accounting Pronouncements

FAS 157-3: In October 2008, The FASB issued FASB Staff Position (FSP) FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active. The FSP clarifies the application of FASB Statement No. 157, Fair Value Measurements, in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The FSP is effective for prior periods for which financial statements have not been issued. We currently believe that FAS 157-3 will not have a material impact on our consolidated financial statements.

FAS 142-3: In April 2008, the FASB issued FASB Staff Position (FSP) FAS 142-3, Determination of the Useful Life of Intangible Assets. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, Goodwill and Other Intangible Assets. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under Statement 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141R, and other U.S. generally accepted accounting principles. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We currently believe that FAS 142-3 will have no material impact on our consolidated financial statements.

FAS 161: In March 2008, the FASB issued Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133 (“SFAS No. 161”). SFAS No. 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under FASB Statement No. 133 and its related interpretations, and (c) how derivative instruments and related hedge items affect an entity’s financial position, financial performance, and cash flows. This statement is effective for fiscal years after November 15, 2008. We currently believe that SFAS No. 161 will have no material impact on our consolidated financial statements.

FAS 160: In December 2007, the FASB issued Statement No. 160, Non-controlling Interests in Consolidated Financial Statements — an amendment of ARB No. 51 (“SFAS No. 160”). SFAS No. 160 requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company’s equity. It also requires the amount of consolidated net income attributable to the parent and to the non-controlling interest be clearly identified and presented on the face of the consolidated statement of income; changes in ownership interest be accounted for similarly, as equity transactions; and when a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. This statement is effective for fiscal years after December 15, 2008. We currently believe that SFAS No. 160 will have no material impact on our consolidated financial statements.

FAS 141R: In December 2007, the Financial Accounting Standards Board (“FASB”) issued Statement No. 141 (Revised 2007), Business Combinations (“SFAS No. 141R”). The objective of SFAS No. 141R is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. To accomplish that, SFAS No. 141R establishes principles and requirements for how the acquirer:

F-17

---

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- a. Recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree
- b. Recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase
- c. Determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

This statement is effective for fiscal years beginning on or after December 15, 2008. We currently believe that SFAS No. 141R will not have a material impact on our consolidated financial statements.

FAS 157: In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". This statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and became effective for us on January 1, 2008.

Fair value is defined as the price at which an asset could be exchanged in a current transaction between knowledgeable, willing parties. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. The FASB establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation as of the measurement date and expands disclosures about financial instruments measured at fair value. Assets and liabilities recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels defined by SFAS 157 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities are as follows:

Level 1: Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. The types of assets and liabilities carried at this level are equities listed in active markets, investments in publicly traded mutual funds with quoted market prices and listed derivatives.

Level 2: Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data of the instrument's anticipated life. Fair value assets and liabilities that are generally included in this category are municipal bonds and certain derivatives.

Level 3: Financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Consideration is given to the risk inherent in the valuation method and the risk inherent in the inputs to the model. Generally, assets and liabilities carried at fair value and included in this category are certain derivatives.

The adoption of this statement did not have a material impact on our consolidated financial statements.

NOTE 4 — SIGNIFICANT SERVICE CONTRACTS:

For the years ended December 31, 2008, 2007, and 2006, the following contracted fertility centers each individually provided greater than 10% of our revenues, net and/or contribution as follows:

F-18

---

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Percent of Company Revenues, net			Percent of Contribution		
	2008	2007	2006	2008	2007	2006
R.S.C. of New England	7.2	8.9	10.7	8.7	10.5	11.7
Fertility Centers of Illinois	16.3	19.2	22.3	15.2	17.6	19.2
Shady Grove Fertility Center	18.0	21.3	22.9	17.2	21.4	20.5

Under all of our fertility Partner agreements, we receive as compensation for our services a three-part fee comprised of: (i) a tiered percentage of the fertility centers net revenues, (ii) reimbursed costs of services (costs incurred in servicing a fertility center and any costs paid on behalf of the fertility center) and (iii) a either a fixed percentage, or a fixed dollar amount of the fertility centers earnings after services fees, which may be subject to further limits.

The third tier of our fee structure with these significant contracts contains provisions as follows:

- R.S.C. of New England – a fixed annual percentage of the center’s earnings.
- Fertility Centers of Illinois – a fixed percentage of the center’s earnings subject to a fixed dollar amount as an upper boundary (\$1,865,000) and a fixed dollar amount as a lower boundary (\$932,000) subject to a fixed percentage of the center’s earnings limitation.
- Shady Grove Fertility Center – a fixed dollar amount of the center’s earnings subject to a fixed percentage of the center’s earnings limitation (\$1,071,000 is the upper boundary and \$540,000 is the lower boundary of this calculation).

NOTE 5 — SEGMENT INFORMATION:

We follow the requirements contained in Statement of Financial Accounting Standards (SFAS) No.131, “Disclosures about Segments of an Enterprise and Related Information”, with respect to identifying and reporting business segments. This statement requires that segment reporting reflect our organizational structure, major revenue sources, lines of responsibility and senior management’s perspective of an organization. With the acquisition of Vein Clinics of America (VCA) during the third quarter of 2007, we reorganized our service offerings into three major product

lines: Fertility Centers, Consumer Services and Vein Clinics. Each of the operating segments includes an element of overhead specifically associated with it. Such overhead costs were previously reported as General and Administrative costs, and have been reclassified in all periods presented to better reflect the operating results of our business segments.

Performance by segment, for the three years ended December 31 2008, 2007 (restated) and 2006 (restated) are presented below (000's omitted):

F-19

---



INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Fertility Centers	Consumer Services	Vein Clinics(1)	Corp G&A	Consolidated
<b>For the Year ended</b>					
<b>December 31, 2008</b>					
Revenues	\$138,440	\$19,763	\$39,950	\$—	\$198,153
Cost of Services	128,224	14,344	37,299	—	179,867
Contribution	10,216	5,419	2,651	—	18,286
Operating Margin	7.4	%	27.4	%	6.6
				%	—
					9.2
					%
General and administrative	—	—	—	10,654	10,654
Interest (income) expense, net	(181	)	0	8	1,353
Income (loss) before income taxes	\$10,397	\$5,419	\$2,643	\$(12,007)	\$6,452
Depreciation expense included above	\$4,327	\$3	\$761	\$898	\$5,989
Capital expenditures, net	\$4,053	\$—	\$1,057	\$585	\$5,695
Total assets	\$36,885	\$331	\$46,750	\$37,475	\$121,441
<b>For the Year ended</b>					
<b>December 31, 2007</b>					
Revenues	\$121,078	\$16,460	\$14,284	\$—	\$151,822
Cost of Services	111,059	12,336	13,304	—	136,699
Contribution	10,019	4,124	980	—	15,123
Operating Margin	8.3	%	25.1	%	6.9
				%	—
					10.0
					%
General and administrative	—	—	—	10,537	10,537
Interest (income) expense, net	(203	)	—	2	81
Income (loss) before income taxes	\$10,222	\$4,124	\$978	\$(10,618)	\$4,706
Depreciation expense included above	\$4,003	\$3	\$255	\$846	\$5,107
Capital expenditures, net	\$4,654	\$—	\$906	\$662	\$6,222
Total assets	\$42,586	\$888	\$44,786	\$25,911	\$114,171
<b>For the Year ended</b>					
<b>December 31, 2006</b>					
Revenues	\$112,767	\$13,553	\$—	\$—	\$126,320
Cost of Services	104,357	9,421	—	—	113,778
Contribution	8,410	4,132	—	—	12,542

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-K/A

Operating Margin	7.5	%	30.5	%	—	—	9.9	%	
General and administrative	—		—		—	9,380	9,380		
Interest (income) expense, net	(279	)	—		—	(99	)	(378	)
Income (loss) before income taxes	\$8,689		\$4,132		\$—	\$(9,281	)	\$ 3,540	
Depreciation expense included above	\$3,594		\$2		\$—	\$614		\$ 4,210	
Capital expenditures, net	\$2,158		\$—		\$—	\$1,075		\$ 3,233	
Total assets	\$41,458		\$995		\$—	\$33,870		\$ 76,323	

(1) Acquired August 8, 2007.

NOTE 6 – CASH AND CASH EQUIVALENTS:

Cash and short term investments consist of cash and short term marketable securities. To the extent that cash balances exceed short term operating needs, excess cash is invested in short term interest bearing instruments. It is our policy to restrict our investments to high-quality securities with fixed maturity dates and principle amounts. The composition of our cash and short term investments is as follows (000's omitted):

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 31,	
	2008	2007
Cash	\$ 26,807	\$ 22,156
Money market funds	58	118
Certificates of deposit	1,400	1,400
Accrued interest income	10	66
Total cash and cash equivalents	\$ 28,275	\$ 23,740

## NOTE 7 – PATIENT AND OTHER RECEIVABLES, NET:

Patient and other receivables are principally comprised of gross patient and insurance receivables from our Vein Clinics segment which represent outstanding balances due for patient treatments less estimated allowances for insurance contractual agreements and uncollectible balances. Insurance contractual allowances are calculated based on recent allowance trends stratified by major payer category and uncollectible reserves are based on both historical trends and specific identification of specific accounts. For the periods ended December 31, 2008 and 2007, we believe that our receivable reserves were adequate to provide for any contractual or collection issues.

The composition of our patient and other receivables is as follows (000's omitted):

	December 31,	
	2008	2007
Vein Clinic patient and insurance receivables	\$ 12,865	\$ 11,966
Reserve for insurance contractual allowance	(3,866)	(3,339)
Reserve for uncollectible accounts	(2,648)	(3,386)

Subtotal Vein Clinic receivables, net	6,351	5,241
Other receivables	330	270
Total Patient and other receivables, net	\$ 6,681	\$ 5,511

## NOTE 8 — FIXED ASSETS, NET:

Fixed assets, net at December 31, 2008 and 2007 consisted of the following (000's omitted):

	2008	2007
Furniture, office and computer equipment	\$ 18,311	\$ 17,158
Medical equipment	7,396	6,259
L e a s e h o l d improvements	21,059	19,091
Construction in progress	63	148
Assets under capital leases	427	427
Total	47,256	43,083
L e s s     ¾ A c c u m u l a t e d depreciation and amortization	(30,638)	(26,171)
	\$ 16,618	\$ 16,912

Our fixed assets are depreciated on a straight line basis. We generally assign useful lives of five years to assets classified as furniture, fixtures, office and medical equipment. Assets classified as computer hardware and software are generally assigned a three year useful life and leasehold improvements are depreciated over the lesser of their useful life, or the term of the lease.

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Depreciation expense on fixed assets for the years ended December 31, 2008 and 2007 was \$5,989,000, and \$5,107,000, respectively. Assets under capital lease are comprised of various medical equipment. Accumulated amortization related specifically to capital leases at December 31, 2008 and 2007 was \$126,000 and \$59,000, respectively.

NOTE 9 — BUSINESS SERVICE RIGHTS, NET:

Business Service Rights, net at December 31, 2008 and 2007 consisted of the following (000's omitted):

	2008	2007
B u s i n e s s		
Service rights,		
net	\$ 34,205	\$ 33,255
L e s s		
accumulated		
amortization	(12,249)	(10,950)
Total	\$ 21,956	\$ 22,305

Business Service Rights are negotiated one-time payments we generally make to physician practices joining our fertility Partner program. These payments are made to secure the right to provide business services to the practices for contracted terms generally ranging from ten to twenty five years. Depending upon the negotiated terms, these payments may be refundable at the termination of the contract or non-refundable. We amortize our non-refundable Business Service Rights over the life of the applicable contract. Refundable Business Service Rights, which totaled approximately \$6.1 million as of December 31, 2008, are not amortized because these amounts will be repaid to us upon termination of the contract.

For the twelve months ended December 31, 2008 and 2007, amortization expense related to our Business Service Rights totaled approximately \$1.3 million and \$1.3 million, respectively.

Amortization expense of our Business Service Rights in future years are as follows (000's omitted):

2009	\$ 1,300
2010	1,300
2011	1,300
2012	1,300

2013	1,300
Thereafter	9,356
T o t a l	
payments	\$ 15,856

We test our Business Service Rights for impairment on a regular basis in accordance with FAS 144 “Accounting for the Impairment and Disposal of Long-Lived Assets”. To date, no impairment charges have been recognized.

NOTE 10 – GOODWILL:

On August 8, 2007, IntegraMed acquired 100 percent of the outstanding common shares of Vein Clinics of America, Inc. (VCA). With this acquisition IntegraMed became the country’s leading provider of services to the vein disease segment in the health care market. At the date of acquisition, Vein Clinics operated 27 clinics in 11 states. This acquisition also provided the opportunity for operational efficiencies in the form of cost reductions through economies of scale and resource sharing for both organizations. Purchase accounting principles in accordance with FAS 141-“Business Combinations” were applied and accordingly, only the results of VCA operations subsequent to its acquisition are included in the accompanying financial statements.

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The goodwill of \$29.5 million arising from this acquisition consists largely of the market potential expected from the operations and enhanced resources of VCA. All of this goodwill was assigned to VCA's vein care operations, with none of the goodwill expected to be deductible for income tax purposes.

The following pro forma data reflects the consolidated revenue and earnings of IntegraMed America, Inc, and Subsidiaries had the VCA acquisition date been January 1, 2006 (000's omitted):

	Revenue	N e t Income	Basic Earnings Per share
Supplemental pro forma for 01/01/2007 to 12/31/2007	\$ 171,925	\$ 3,464	\$ 0.41
Supplemental pro forma for 01/01/2006 to 12/31/2006	\$ 154,801	\$ 3,556	\$ 0.43

We test our goodwill for impairment in accordance with the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets." This test consists of a two-step process. The first step is to identify potential impairment by comparing the fair value of the underlying asset with its carrying amount. If the fair value, which is based on future cash flows, exceeds the carrying amount, the intangible asset is not considered impaired. If the carrying amount exceeds the fair value, the second step must be performed to measure the amount of the impairment loss, if any. The second step compares the implied fair value of the intangible with the carrying amount of that intangible. If the implied fair value is less than the carrying amount, an impairment loss would be recognized in an amount equal to the excess of the carrying amount of the intangible over its implied fair value. To date we have not recorded any impairment losses.

NOTE 11 — TRADEMARKS:

Trademarks and other intangibles, net at December 31, 2008 and 2007 consisted of the following trademark items (000's omitted)

	2008	2007
I n t e g r a M e d America, Inc.	\$ 42	\$ 92

Vein Clinics of America, Inc.	4,400	4,400
Total	\$ 4,442	\$ 4,492

We do not amortize our trademarks as they have an indefinite useful life. We do test our trademarks for impairment on a regular basis in accordance with FAS 144 "Accounting for the Impairment and Disposal of Long-Lived Assets". To date, no impairment charges have been recognized.

F-23

---



INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 12 — ACCRUED LIABILITIES:

Accrued liabilities at December 31, 2008 and 2007 (restated) consisted of the following (000's omitted):

	2008	2007
Accrued payroll	\$ 1,665	\$ 4,286
Accrued employee incentives and benefits	3,072	3,062
Accrued vacation	151	300
Accrued physician incentives (VCA)	2,754	2,542
New physician recruitment	113	103
Accrued costs on behalf of medical practices	1,894	1,884
Accrued rent	1,166	892
Accrued professional fees	250	390
Accrued insurance	1,246	196
Reserves for estimated Attain IVF patient refunds	397	326
Reserve for Attain IVF post-pregnancy expenses	331	272
Accrued federal and state taxes	2,899	1,006
Other accrued taxes	300	350
Other (1)	1,580	2,151
Total accrued liabilities	\$ 17,818	\$ 17,760

(1) Individually represents less than 5% of total accrued liabilities.

## NOTE 13 – DUE TO FERTILITY MEDICAL PRACTICES:

Due to Medical Practices is comprised of the net amounts owed by us to fertility medical practices contracted as Partners. This balance is comprised of amounts due to us by the medical practices for funds which we advanced for use in financing their accounts receivable, less balances owed to the medical practices by us for undistributed physician earnings and patient deposits we hold on behalf of the medical practices.

While we are responsible for the management and collection of the Partner's accounts receivable, as part of the business services we provide, the credit and collection risk for these receivables remains with the medical practice. We finance the receivables with full recourse. Amounts financed relating to uncollectible accounts are recovered from the medical practice in the month uncollectible reserves are established or accounts are written-off.

As of December 31, 2008 and December 31, 2007, Due to Medical Practices was comprised of the following balances (000's omitted):

	2008	2007
Advances to Partners for receivable financing	\$ (17,121)	\$ (15,585)
Undistributed Physician Earnings	3,205	6,338
Physician practice patient Deposits	20,270	18,290
Due to Medical Practices, net	\$ 6,354	\$ 9,043

Our responsibilities to these medical practices are to provide financing for their accounts receivable and to hold patient deposits on their behalf as well as undistributed physician earnings.

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We are also responsible for the collection of the Partner accounts receivables, which we finance with full recourse. We have no other funding commitments to the Partner.

NOTE 14 — NOTES PAYABLE AND OTHER OBLIGATIONS:

Notes payable and other obligations at December 31, 2008 and 2007 consisted of the following (000's omitted):

	2008	2007
Note payable to bank	\$ 29,309	\$ 25,000
Derivative Fair valuation adjustment	609	82
Obligations under capital lease	301	378
Total notes payable and other obligations	\$ 30,219	\$ 25,460
Less <sup>3</sup> / <sub>4</sub> Current portion	(11,351)	(3,661)
Long-term notes payable and other obligations	\$ 18,868	\$ 21,799

Note payable to Bank —

In August 2007, as part of our acquisition of Vein Clinics of America, we secured a new \$25 million 5-year term loan. Our previous term loan of \$7.7 million was paid off in its entirety as part of this agreement. After deducting the previous loan amount, interest and fees, our net funding from Bank of America was \$17.0 million.

Other features of this credit facility include a \$10 million three-year revolving line of credit. Availability of borrowings under the working capital revolver is based on eligible accounts receivable, as defined in the credit agreement. As of December 31, 2008 under the revolving line of credit the full amount of \$10.0 million was available, of which \$7.5 million was outstanding.

Each component of our amended credit facility bears interest by reference to Bank of America's prime rate or LIBOR, at our option, plus a margin, which is dependent upon a leverage test, ranging from 2.00% to 2.75% in the case of LIBOR-based loans. Prime-based loans are made at Bank of America's prime rate and do not contain an additional margin. Interest on the prime-based loans is payable quarterly beginning November 8, 2007 and interest on LIBOR-based loans is payable on the last day of each applicable interest period. As of December 31, 2008, interest on the term loan was payable at a rate of approximately 2.71%. Unused amounts under the working capital revolver bear a commitment fee of 0.25% and are payable quarterly.

In order to mitigate the interest rate risk associated with our new term loan, we entered into an interest rate swap agreement with Bank of America in August 2007 for 50% of the loan amount, or \$12.5 million. The effect of this swap transaction was to effectively fix the interest rate on 50% of our term loan at 5.39% plus the applicable margin for the life of the swap. See Note 13.

Our Bank of America credit facility is collateralized by substantially all of our assets. As of December 31, 2008, we were in full compliance with all applicable debt covenants. We also continuously review our credit agreements and may renew, revise or enter into new agreements from time to time as deemed necessary.

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## Debt Maturities —

At December 31, 2008, aggregate note payments, including capital lease obligation payments, in future years were as follows (000's omitted):

2009	\$ 11,351
2010	3,861
2011	3,868
2012	11,139
Total payments	\$ 30,219

## Leases —

Our capital lease obligation relates to medical equipment acquired for certain vein care clinics.

We maintain operating leases for our corporate headquarters and for medical office space for our Partner and our vein clinic centers. We also have operating leases covering certain medical equipment. Aggregate rental expense under operating leases was approximately \$11.5 million, \$10.7 million, and \$9.3 million, for the years ended December 31, 2008, 2007 and 2006, respectively.

At December 31, 2008, the minimum lease payments for assets under capital and non-cancelable operating leases in future years were as follows (000's omitted):

	Capital	Operating
2009	\$ 102	\$ 9,416
2010	102	8,825
2011	102	8,520
2012	33	7,701
2013	—	6,927
Thereafter	—	18,964
Total minimum lease payments	\$ 339	\$ 60,353
Less <sup>3</sup> / <sub>4</sub> Amount representing interest	38	
Present value of minimum lease payments	\$ 301	

## NOTE 15 – OTHER COMPREHENSIVE LOSS:

IntegraMed is exposed to the risk that its earnings and cash flows could be adversely impacted by market driven fluctuations in the level of interest rates. It is our policy to manage these risks by using a mix of fixed and floating rate debt and derivative instruments.

During the third quarter of 2007, we entered into a revised financing agreement with Bank of America. This agreement contained an interest rate swap provision designed to hedge risks associated with \$12.5 million of our then \$25.0 million term loan through the maturity of the swap agreement in August 2010. As a result of this agreement, our net income for the three and twelve months ended December 31, 2008 includes additional financing costs of approximately \$72,000 and \$260,000 respectively, and we expect to record additional financing costs of approximately \$350,000 related to the swap agreement over the coming twelve months given current interest rate forecasts (these financing costs are expected to be offset by lower interest expense on the portion of the term loan that was not hedged over this same time frame).

F-26

---

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In addition to the costs included in our reported net income, recording this hedge at fair value also generated a non-recognized tax-effected loss of approximately \$293,000 for the twelve months ending December 31, 2008 and a tax-effected loss totaling \$375,000 for the three years ended December 31, 2008, which is reported as part of our Other Comprehensive Income.

The fair value of this hedge was calculated in accordance with SFAS No. 157 – Fair Value Measurements, utilizing Level 2 inputs of quoted prices for similar liabilities in active markets, specifically 3 month Eurodollar LIBOR rates.

We deem this hedge to be highly effective as it shares the same amortization schedule (at 50% of the notional amount) as the underlying debt subject to the hedge and any change in fair value inversely mimics the appropriate portion of the hedged item. As of December 31, 2008, we had no other hedge or derivative transactions.

The following table summarizes total comprehensive income (loss) for the applicable periods (000's omitted):

	For the twelve-month period ending December 31,		
	2008	2007	2006
Net income as reported	\$ 3,915	\$ 3,044	\$ 3,070
Net non-recognized loss on derivative transactions	(293 )	(73 )	(9 )
Total comprehensive income	\$ 3,622	\$ 2,971	\$ 3,061

NOTE 16 — INCOME TAXES:

The provision for income taxes consisted of the following (000's omitted):

	For the years ended December 31,		
	2008	2007	2006
Current taxes:			
Federal	\$ 2,699	\$ 1,049	\$ 811
State	644	391	575
Total current tax expense (benefit)	\$ 3,343	\$ 1,440	\$ 1,386
Deferred taxes:			
Federal	\$ (645 )	\$ 178	\$ (734 )
State	(161 )	44	(182 )
	\$ (806 )	\$ 222	\$ (916 )

Total deferred tax  
expense (benefit)

Total tax provision.     \$ 2,537     \$ 1,662     \$ 470

The financial statement income tax provision differed from income taxes determined by applying the statutory federal income tax rate to the financial statement income before income taxes for the years ended December 31, 2008, 2007 and 2006 primarily as a result of the following (000's omitted):

F-27

---



INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	For the years ended December 31,		
	2008	2007	2006
Provision at U.S. federal statutory rate	\$ 2,192	\$ 1,599	\$ 1,202
State income taxes, net of federal tax effect	306	135	143
Non-deductible expenses	27	62	57
Tax-exempt interest income	(14 )	(199 )	(129 )
Adjustment to deferred tax assets .			(33 )
Other		39	(2 )
Change in FIN 48 liability	26	27	
Change in deferred tax asset valuation allowance			(768 )
Income tax expense	\$ 2,537	\$ 1,663	\$ 470

Significant components of the deferred tax assets (liabilities) at December 31, 2008 and 2007 were as follows (000's omitted):

	December 31,	
	2008	2007
Deferred tax assets		
Net operating loss\$ carry forwards		\$ 109
Temporary book to tax differences	6,055	5,513
Total deferred tax assets	6,055	5,622
Deferred tax liabilities		
Depreciation and amortization	(737 )	(1,613)
Other	(18 )	(58 )
Total deferred tax liabilities	(755 )	(1,671)
Deferred tax asset Valuation allowance	5,300	3,951

Net total deferred tax asset	\$ 5,300	\$ 3,951
------------------------------	----------	----------

The uncertainties that existed prior to December 31, 2006 related to our ability to generate sufficient taxable income to fully utilize our deferred tax asset valuation allowance related to our net operating loss (NOL) carry-forward deductions. The utilization of the NOL was further complicated by a Section 382 of the tax code limitation as a result of a change in control from ten years earlier. While in one year we could generate significant taxable earnings, our ability to utilize our NOL was capped by the Section 382 limit leaving NOLs to be realized by future taxable income. Each year future projected taxable earnings were evaluated and as it became clear that a certain amount of NOLs would be utilized we released that part of the allowance. When it became clear that projections of taxable income would be sufficient to utilize the remaining NOLs, we released the balance of the valuation allowance. At no time prior to the final release did we believe the realization of all the remaining NOL was assured.

We assess the realizability of our deferred tax assets at each interim and annual balance sheet date based on actual and forecasted operating results in order to determine the proper amount, if any, required for a valuation allowance. As a result of this assessment, we believe that it is more likely than not, given the weight of available evidence, that all of our deferred tax assets will be realized. We will continue to assess the realizability of our deferred tax assets at each interim and annual balance sheet date in order to determine the proper amount, if any, required for a valuation allowance.

F-28

---

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Effective January 1, 2007, we adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN No. 48), "Accounting for Uncertainty in Income Taxes," which clarifies the accounting and disclosure for uncertainty in income taxes. The adoption of this interpretation did not have a material impact on our financial statements.

We file income tax returns in the U.S. federal jurisdiction and various states. For federal income tax purposes, our 2007 and 2008 tax years remain open for examination by the tax authorities under the normal three year statute of limitations. A federal income tax examination for tax years through 2006 was completed during 2008 resulting in no adjustment to our income tax liability. For state tax purposes, our 2004 through 2008 tax years remain open for examination by the tax authorities under a four year statute of limitations.

A reconciliation of the unrecognized tax benefits for the years ended December 31, 2008 and 2007 follows:

	Unrecognized Tax Benefits (000s)	
	2008	2007
Balance as of January 1,	\$149	\$188
Additions for current year tax positions	46	39
Additions for prior year tax positions		
Reductions for prior year tax positions	(31 )	(3 )
Settlements		(66 )
Reductions related to expirations of statute of limitations		(11 )
Additional interest	11	2
Balance as of December 31,	\$175	\$149

As of December 31, 2008 and 2007, all of the unrecognized tax benefits could affect our tax provision and effective tax rate.

In accordance with our accounting policy, both before and after adoption of FIN 48, interest expense and penalties related to income taxes are included in the income tax expense line of our consolidated statement of operations. For the years ended December 31, 2008 and 2007, we recognized \$11,000 and \$2,000, respectively, for interest expense related to uncertain tax positions. As of December 31, 2008 and 2007, we had recorded liabilities for interest expense related to uncertain tax positions in the amounts of \$15,000 and \$26,000, respectively. We made no accrual for penalties related to income tax positions.

NOTE 17 - EARNINGS PER SHARE:

The reconciliation of the numerators and denominators of the basic and diluted EPS computations for the years ended December 31, 2008, 2007 (restated) and 2006 (restated) is as follows (000's omitted, except for per share amounts):



INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	For the years ended December 31,		
	2008	2007	2006
Numerator			
Net Income	\$3,915	\$3,044	\$3,070
Denominator			
Weighted average shares outstanding	8,618	8,310	8,090
Effect of dilutive options and warrants	73	100	104
Weighted average shares and dilutive potential Common shares	8,691	8,410	8,194
Basic earnings per common share	\$0.45	\$0.37	\$0.38
Diluted earnings per common share	\$0.45	\$0.36	\$0.37

For the year ended December 31, 2008, options to purchase approximately 124,000 shares of common stock were excluded from the computation of diluted earnings per share as the exercise price of the options was above the average market price of the shares of common stock. For the years ended December 31, 2007 and 2006, there were no outstanding options to purchase shares of common stock which were excluded from the computation of the diluted earnings per share amount as the exercise price of all outstanding options was less than the average market price of the shares of common stock.

For the years ended December 31, 2008, 2007 and 2006, there were no outstanding warrants to purchase shares of common stock which were excluded from the computation of the diluted earnings per share amount as the exercise price of any outstanding warrants were less than the average market price of the shares of common stock.

NOTE 18 — SHAREHOLDERS' EQUITY:

During 2008, 2007 and 2006, we issued approximately 99,000, 78,000 and 106,000 shares, respectively, of restricted common stock as deferred compensation to several officers and directors with an aggregate value of \$899,000, \$956,000 and \$887,000 respectively. These shares were valued at their fair value on the date of grant, and are amortized to expense over their vesting period which generally is a three year period.

During 2008, we issued incentive stock options to purchase approximately 128,000 shares of common stock to several officers of the company with an aggregate fair value of approximately \$741,000 on the date of issue. These options have a term of ten years and vest ratably over a four year period.

During 2006, we received approximately 19,000 shares of our common stock in consideration for the exercise of common stock options on behalf of various officers and individuals. These shares were received in lieu of cash for the exercise price of the options pursuant to terms allowed under our stock option plans. As of the dates the underlying options were exercised, these shares were valued at approximately \$187,000 and were accounted for as Treasury Stock.

Our Board of Directors has authorized the retirement of common stock held as Treasury Shares on a periodic basis. As such we retired approximately 14,000, 5,000 and 191,000 shares of Treasury Stock during the years ended December 31, 2008, 2007 and 2006 respectively. As of December 31, 2008 there were approximately 22,000 shares of common stock held as Treasury shares.

F-30

---

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In May 2007 and June 2006 we effected a 25% stock split in the form of a stock dividend. Where applicable we have restated our capital accounts, shares outstanding, weighted average shares and earnings per share calculations for all years in these financial statements and related footnotes to reflect these transactions.

NOTE 19 — STOCK-BASED EMPLOYEE COMPENSATION:

We account for our stock based employee compensation plans under the Statement of Financial Accounting Standard (“SFAS”) No. 123 (revised 2004), “Share-Based Payment” (“SFAS No. 123R”). SFAS No. 123R addresses the accounting for share based payment transactions in which an enterprise receives employee services in exchange for equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise’s equity instruments or that may be settled by the issuance of such equity instruments. SFAS 123R requires that such transactions be accounted for using a fair value based method.

In considering the fair value of the underlying stock when we grant options or issue restricted stock, we consider several factors including the fair values established by market transactions. Stock-based compensation includes significant estimates and judgments of when stock options might be exercised, forfeiture rates and stock

price volatility. The timing of option exercises is out of our control and depends upon a number of factors including our market value and the financial objectives of the option holders. These estimates can have a material impact on our stock compensation expense but will have no impact on our cash flows.

We currently have three stock option plans which have been previously approved by the stockholders. Under the 1992 Incentive and Non-Incentive Stock Option Plan (the “1992 Plan”), the 2000 Long-term Compensation Plan (the “2000 Plan”) and the 2007 Long-term Compensation Plan (the “2007 Plan”), 500,000, 700,000 and 500,000 shares, subject to adjustment, of common stock, respectively, were reserved for issuance of incentive and non-incentive stock options and stock grants. The 1992 Plan expired in May 2002, and although some options are still outstanding, no further awards may be made under that plan. Under the 2000 and 2007 Plans, stock options and stock grants may be awarded to employees, directors and such other persons as the Board of Directors determines will contribute to our success. Vesting periods are set by the Board of Directors and stock options are generally exercisable during a ten-year period following the date of award, with stock grants generally vesting in three to five years. The Board of Directors has the authority to accelerate the maturity of any stock option or grant at its discretion, and all stock options and grants have anti-dilution provisions. Under all of our plans, options expire three months from the date of the holder’s termination of employment or twelve months in the event of disability or death. As of December 31, 2008, there were 356,784 shares available for granting under these plans. We recognize compensation cost for stock option plans over the vesting period based on the fair value of the option as of the date of the grant.

The following table sets forth information about the weighted-average fair value of options granted during the periods below, and the assumptions used for each grant:

	For the twelve-month period ending December 31,		
	2008	2007	2006
Fair Value of Options	\$ 8.45	N/A	N/A
Dividend yield	0.0 %	N/A	N/A
E x p e c t e d volatility	51.8 %	N/A	N/A
Risk free interest rate	4.0 %	N/A	N/A
Expected term in years	6.3	N/A	N/A

F-31

---



INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Our dividend yield assumptions on the underlying common stock upon which the options were granted anticipate that all earnings will be retained for use in the operation and expansion of the company and no dividends will be paid to shareholders. Our expected volatility is based on historic trading patterns of our common stock. The risk free interest rate is based on the yield of short term U.S. Treasury securities in effect at the time of the grant. The expected term of the options reflects our historic exercise and forfeiture experience with similar option grants.

Stock option activity under these plans is summarized below:

	Number of Shares of Common Stock Underlying Options	Weighted Average Exercise price
Options outstanding at December 31, 2005	391,178	\$ 2.22
Granted	—	\$ 0.00
Exercised	(240,721)	\$ 2.12
Canceled	(4,063 )	\$ 2.94
Options outstanding at December 31, 2006	146,394	\$ 2.35
Granted	—	\$ 0.00
Exercised	(42,146 )	\$ 2.38
Canceled	(2,029 )	\$ 2.94
Options outstanding at December 31, 2007	102,219	\$ 2.33
Granted	127,844	\$ 8.45
Exercised	(3,047 )	\$ 2.68
Options outstanding at December 31, 2008	227,016	\$ 5.78
Options exercisable at:		
December 31, 2006	146,394	\$ 2.35
December 31, 2007	102,219	\$ 2.33
December 31, 2008	99,171	\$ 2.34

As of December 31, 2008, stock options outstanding and exercisable by price range were as follows:

OPTIONS OUTSTANDING	OPTIONS EXERCISABLE
Range of Outstanding	Exercisable

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-K/A

Exercise Prices	As of 12/31/2008	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	As of 12/31/2008	Weighted Average Exercise Price
0.00 - \$2.55	69,906	1.9	\$2.09	69,906	\$2.09
2.56 - \$5.00	29,265	3.3	\$2.95	29,265	\$2.95
5.01 - \$20.00	127,845	9.5	\$8.45	—	—
	227,016	6.3	\$5.78	99,171	\$2.34

The total intrinsic value of options exercised during the years ended December 31, 2008, 2007 and 2006 was approximately \$57,000, \$100,000 and \$499,000 respectively. The aggregate intrinsic value of options outstanding and exercisable as of December 31, 2008, 2007 and 2006 was approximately \$333,000, \$238,000, and \$344,000, respectively.

During the years ended December 31, 2008, 2007 and 2006, we issued restricted stock grants to selected officers and members of the Board of Directors. These stock grants vest over a three, five or ten year period for officers, with grants to directors vesting immediately. These grants are valued at the closing market price on the date granted with the associated compensation expense is recognized ratably over the applicable period.

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Compensation expense recognized in connection with stock options for the years ended December 31, 2008, 2007 and 2006 was \$105,000, \$0 and \$0 respectively. Compensation expense recognized in connection with stock grants for the years ended December 31, 2008, 2007 and 2006 was \$753,000, \$558,000 and \$405,000 respectively. As of December 31, 2008, remaining unamortized stock compensation expense for both stock options and stock grants was approximately \$2.0 million and will be recognized as follows (000's):

	Stock Options	Stock Grants
2009	\$ 246	\$ 556
2010	246	396
2011	145	179
2012	—	71
2013	—	40
Thereafter	—	79
Unamortized stock compensation costs	\$ 637	\$ 1,321

## NOTE 20 — QUARTERLY FINANCIAL DATA (UNAUDITED):

Summarized quarterly financial data 2008 (restated), 2007 (restated) and 2006 (restated) appear below (in thousands, except per share data):

	Revenues Net			Contribution			Net Income			Diluted Net Income Per Share (1)		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
First quarter	\$45,784	\$32,327	\$30,533	\$3,861	\$3,066	\$2,824	\$720	\$555	\$520	\$0.08	\$0.07	\$0.06
Second quarter	49,920	33,907	31,775	4,729	3,651	3,297	1,015	728	490	0.12	0.09	0.06
Third quarter	52,229	40,183	31,768	4,987	4,427	3,255	1,099	933	507	0.13	0.10	0.06
Fourth quarter	50,220	45,405	32,244	4,709	3,979	3,166	1,081	828	1,553	0.12	0.10	0.19
Total year	\$198,153	\$151,822	\$126,320	\$18,286	\$15,123	\$12,542	\$3,915	\$3,044	\$3,070	\$0.45	\$0.36	\$0.37

(1) The sum of the quarterly earnings per share may not equal the full year earnings per share as the computations of the weighted average shares outstanding for each quarter and the full year are made independently.

NOTE 21 — COMMITMENTS AND CONTINGENCIES:

Capital Leases —

Refer to Note 12 for a summary of capital lease commitments.

Reliance on Third Party Vendors —

Our fertility and vein clinics are dependent on a limited number of primary third-party vendors that produce supplies and medications vital to treating infertility and vein disease. Should any of these vendors experience a supply shortage, it may have an adverse impact on the operations of our clinical locations and network members. To date, no shortage or disruption has been experienced.

F-33

---

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Employment Agreements —

We have an employment agreement with our President and Chief Executive Officer. Pursuant to that agreement, we may terminate the President and Chief Executive Officer's employment without cause on thirty days notice, in which event severance pay equal to twelve months' base salary plus an annual bonus, calculated without regard to the condition precedents established under the bonus plan, will be payable in a lump sum.

The employment agreement further provides that in the event that within one year after a "Change of Control" (as defined therein) of the Company occurs, and the President and Chief Executive Officer's employment is terminated, the President and Chief Executive Officer will be paid a lump sum amount equal to their base salary for a 24-month period following termination, plus twice the full amount of their annual bonus based on their then current salary, without regard to the condition precedents established for the bonus payment. Based on this change of control provision, if there had been a change of control of the Company in 2008 and the President and Chief Executive Officer's employment had terminated effective December 31, 2008, either for "Good Reason" or without cause, then the President and Chief Executive Officer would be entitled to termination pay equal to \$660,000 representing his then annualized base salary for 24-months, plus \$429,000 representing twice the amount to which he was eligible under our Executive Incentive Compensation Plan for 2008.

We have also entered into indemnification and change in control severance agreements with certain of our management employees, which include, among other terms, noncompetitive provisions and salary and benefits continuation. Our minimum aggregate commitment under these agreements at December 31, 2008 was approximately \$3.2 million.

Commitments to Partners —

In accordance with the majority of our Partner agreements, we are obligated to: (i) on an ongoing basis, advance funds to the fertility centers to fund operations and provide services; and (ii) on a monthly basis, transfer to the fertility centers funds equal to the net accounts receivable generated that month to finance those receivables less any amounts owed to us for services fees and/or advances.

Litigation and Compliance with Healthcare Regulations —

From time to time, we are party to legal proceedings in the ordinary course of business and are required to maintain compliance with extensive healthcare regulations. None of these proceedings or potential issues associated with healthcare regulation compliance are expected to have a material adverse effect on our financial position, results of operations or cash flow.

Insurance —

As of December 31, 2008 and December 31, 2007, we and our affiliated fertility and vein care centers were insured with respect to medical malpractice risks on a claims made basis. We believe, either through this captive insurance company, or on the open market, we will be able to obtain renewal coverage for both our fertility and vein care physicians in the future. We are not aware of any claims against us or our affiliated medical practices, which would expose us, or our affiliated medical practices to liabilities in excess of insured amounts.

As of December 31, 2008 and 2007, we also carried policies to insure against liability, theft, property loss, business interruption and a variety of other business risks. We also maintain an appropriate insurance reserve to cover estimated deductible amounts should a claim be filed under our policies.

INTEGRAMED AMERICA, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 22 — RELATED PARTY TRANSACTIONS:

In accordance with our Partner agreement with Shady Grove, Michael J. Levy, M.D., an employed shareholder physician of the P.C., became a member of our Board of Directors in March 1998. In 2004, Dr. Levy became an advisory director and was no longer a voting member of the Board of Directors. The medical practice at Shady Grove paid us service fees of \$3,145,000, \$2,916,000 and \$2,572,000 in 2008, 2007 and 2006, respectively.

In accordance with our Partner agreement with FCI (the Illinois practice), Aaron Lifchez, M.D., an employed shareholder physician of FCI, became a member of our Board of Directors in August 1997. In 2004, Dr. Lifchez became an advisory director and was no longer a voting member of the Board of Directors. The medical practice FCI paid us service fees of \$2,787,000, \$2,649,000 and \$2,413,000 in 2008, 2007 and 2006, respectively.

The Company has a Consulting Agreement with its Chairman of the Board. The agreement provided for compensation of \$125,000 for the twelve months ending December 31, 2008. This consulting agreement expired on December 31, 2008 and was replaced with a new one-year agreement providing for \$36,000 in compensation.

## NOTE 23 — SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION AND NON-CASH TRANSACTIONS:

Equity transactions related to common stock, principally arising from stock grants, option exercises and related tax benefits disclosed on our Consolidated Statements of Cash Flows are comprised of the following (000's omitted):

	For the Twelve months ended		
	2008	2007	2006
Common stock options and grants	\$ 30	\$ 35	\$ 499
Tax benefit related to stock transactions	332	67	59
Treasury Stock, net and other	(211 )	(67 )	(231 )
	\$ 151	\$ 35	\$ 327

F-35

---



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON  
FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Shareholders  
of IntegraMed America, Inc.:

Our audits of the consolidated financial statements referred to in our report dated March 30, 2009 appearing in the 2008 Annual Report to Shareholders of IntegraMed America, Inc. (which report and consolidated financial statement are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 8 and 15 (a) (1) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/Amper, Politziner & Mattia, LLP  
Edison, New Jersey  
March 30, 2009, except for the restatement discussed in Note 2  
to the Consolidated Financial Statements, as to which the date is  
October 28, 2009.

## SCHEDULE II

## INTEGRAMED AMERICA, INC.

## VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended December 31, 2008, 2007, 2006

	Balance at Beginning of Period	Additions	Deductions	End of Period
Year Ended December 31, 2008				
Allowance for doubtful accounts receivable	\$ 3,386	\$ 3,613	\$ 4,351	\$ 2,648
Reserve for Attain IVF refunds	326	427	356	397
Reserve for attain IVF medical costs	272	355	296	331
Year Ended December 31, 2007				
Allowance for doubtful accounts receivable	\$ 13	\$ 3,524 (1)	\$ 151	\$ 3,386
Reserve for Attain IVF refunds	257	355	286	326
Reserve for Attain IVF medical costs	215	296	239	272
Year Ended December 31, 2006				
Allowance for doubtful accounts receivable	\$ 116	\$ (72 )(2)	\$ 31	\$ 13
Reserve fir Attain IVF refunds	184	292	219	257
	154	245	184	215

Reserve for Attain IVF medical costs

Deferred Tax Valuation Allowance	768	—	768	—
----------------------------------	-----	---	-----	---

(1) Includes \$3,224 acquired in connection with the Vein Clinics of America, Inc. transaction.

(2) Represents the reversal of unused reserves for uncollectible accounts receivable associated with our discontinuation of pharmaceutical product sales in 2005, and transition to a marketing fee arrangement with our third-party pharmaceutical distributor.

S-2

---

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTEGRAMED AMERICA

February 3, 2010

By: /s/JOHN HLYWAK, JR.  
John W. Hlywak, Jr.  
Executive Vice President  
and Chief Financial Officer  
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/Jay Higham Jay Higham	President and Chief Executive Officer and Director (Principal Executive Officer)	February 3, 2010
/s/John W. Hlywak, Jr. John W. Hlywak, Jr.	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 3, 2010
/s/Kush K. Agarwal Kush K. Agarwal	Director	February 3, 2010
/s/Gerardo Canet		

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-K/A

Gerardo Canet	Director	February 3, 2010
/s/Wayne R. Moon Wayne R. Moon	Director	February 3, 2010
/s/Lawrence J. Stuesser Lawrence J. Stuesser	Director	February 3, 2010
/s/Elizabeth E. Tallett Elizabeth E. Tallett	Director	February 3, 2010
/s/Yvonne S. Thornton, M.D. Yvonne S. Thornton, M.D.	Director	February 3, 2010