

GLOBAL HEALTHCARE REIT, INC.
Form 10-Q
August 14, 2015

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

FORM 10-Q

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

For the quarterly period ended June 30, 2015

OR

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
EXCHANGE ACT**

For the transition period from ____ to ____

Commission file number 0-15415

GLOBAL HEALTHCARE REIT, INC.

(Exact Name of Small Business Issuer as Specified in its Charter)

Utah
(State or other jurisdiction)

87-0340206
I.R.S. Employer

of incorporation or organization) Identification number

3050 Peachtree Road, Suite 355, Atlanta, Georgia 30305

(Address of Principal Executive Offices)

Issuer's telephone number: (404) 549-4293

Former name, former address, and former fiscal year, if changed since last report

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the last 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [] No [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 definition 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 []
Non-accelerated filer [] Smaller Reporting Company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [] No [X].

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [] No [X]

As of August 14, 2015, the Registrant had 22,258,755 shares of its Common Stock outstanding.

INDEX

PART I -- FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (Unaudited)	Page No.
Consolidated Balance Sheets as of June 30, 2015 and December 31, 2014	1
Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2015 and 2014	2
Consolidated Statement of Changes in Equity for the Six Months Ended June 30, 2015	3
Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2015 and 2014	4
Notes to Consolidated Financial Statements	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Item 3. Quantitative and Qualitative Disclosures About Market Risk	39
Item 4. Controls and Procedures	39

PART II - OTHER INFORMATION

Item 1. Legal Proceedings	40
Item 1A Risk Factors	40
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	40
Item 3. Defaults Upon Senior Securities	40
Item 4. Removed and Reserved	40
Item 5. Other Information	40
Item 6. Exhibits	40

PART 1. FINANCIAL INFORMATION**Item 1. Consolidated Financial Statements****GLOBAL HEALTHCARE REIT, INC.****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

	June 30,	December 31, 2014
	2015	
ASSETS		
Property and Equipment, Net	\$ 39,970,460	\$ 40,259,357
Cash and Cash Equivalents	968,179	533,597
Advances to Related Parties, Net of Allowance	433,211	353,211
Restricted Cash	524,561	904,157
Note Receivable	250,000	-
Notes Receivable - Related Parties, Net of Discount	685,216	1,186,822
Prepaid Expenses, Deferred Loan Costs, and Other	1,212,053	1,490,634
Goodwill	1,750,454	1,750,454
Total Assets	\$ 45,794,134	\$ 46,478,232
LIABILITIES AND EQUITY		
Liabilities		
Debt, Net	\$ 37,310,837	\$ 37,610,874
Accounts Payable and Accrued Liabilities	241,665	268,942
Dividends Payable	219,158	-
Lease Security Deposit	256,667	176,667
Total Liabilities	38,028,327	38,056,483
Commitments and Contingencies		
Equity		
Stockholders' Equity		
Preferred Stock:		

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Series A - No Dividends, \$2.00 Stated Value, Non-Voting;

2,000,000 Shares Authorized, 200,500 Shares Issued and Outstanding	401,000	401,000
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Series D - 8% Cumulative, Convertible, \$1.00 Stated Value, Non-Voting;

1,000,000 Shares Authorized, 375,000 Shares Issued and Outstanding	375,000	375,000
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Common Stock - \$0.05 Par Value; 50,000,000 Shares Authorized,

22,237,352 and 21,640,051 Shares Issued and Outstanding

at June 30, 2015 and December 31, 2014, Respectively	1,111,867	1,082,003
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Additional Paid-In Capital	8,620,682	8,540,520
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Retained Earnings (Accumulated Deficit)	(586,645)	212,573
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Total Global Healthcare REIT, Inc. Stockholders' Equity	9,921,904	10,611,096
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Noncontrolling Interests	(2,156,097)	(2,189,347)
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Total Equity	7,765,807	8,421,749
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Total Liabilities and Equity	\$ 45,794,134	\$ 46,478,232
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See accompanying notes to consolidated financial statements.

GLOBAL HEALTHCARE REIT, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue				
Rental Revenue	\$ 1,162,359	\$ 311,753	\$ 2,285,673	\$ 545,032
Expenses				
General and Administrative	316,102	274,336	760,468	392,598
Acquisition Costs	-	-	-	180,455
Loss on Sale of Property and Equipment	-	-	-	381,395
Depreciation	306,014	97,423	610,725	168,504
Total Expenses	622,116	371,759	1,371,193	1,122,952
Income (Loss) from Operations	540,243	(60,006)	914,480	(577,920)
Other (Income) Expense				
Bargain Purchase Gain	-	-	-	(3,000,000)
Interest Income	(24,092)	(22,063)	(63,164)	(51,330)
Interest Expense	654,697	148,094	1,339,011	367,776
Total Other (Income) Expense	630,605	126,031	1,275,847	(2,683,554)
Equity in Income (Loss) from Unconsolidated Partnership				
	-	(15,425)	53,688	(15,425)
Net Income (Loss)	(90,362)	(201,462)	(307,679)	2,090,209
Net Income Attributable to Noncontrolling Interests	(24,151)	(16,019)	(39,137)	(10,117)
Net Income (Loss) Attributable				
to Global Healthcare REIT, Inc.	(114,513)	(217,481)	(346,816)	2,080,092
Series D Preferred Dividends	(7,377)	(7,500)	(14,877)	(23,281)
Net Income (Loss) Attributable to Common Stockholders	\$ (121,890)	\$ (224,981)	\$ (361,693)	\$ 2,056,811
Per Share Data:				
Net Income (Loss) per Share Attributable				
to Common Stockholders -				
Basic	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ 0.11
Diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ 0.10
Weighted Average Common Shares Outstanding:				
Basic	22,018,906	19,720,478	21,961,607	18,437,408
Diluted	22,018,906	19,720,478	21,961,607	21,139,345

See accompanying notes to consolidated financial statements.

GLOBAL HEALTHCARE REIT, INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

	Series A Preferred Stock		Series D Preferred Stock		Common Stock			Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Total Equity
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount				
Balance, December 31, 2014	200,500	\$401,000	375,000	\$375,000	21,640,051	\$1,082,003	\$8,540,520	\$ 212,573	\$10(
Stock Based Compensation - Restricted Stock Awards	-	-	-	-	216,665	10,833	147,499	-	-	
Series D Preferred Dividends	-	-	-	-	-	-	-	(14,877)	(
Common Stock Dividends	-	-	-	-	-	-	-	(437,525)	(4	
Exercise of Common Stock Warrants	-	-	-	-	22,422	1,121	13,452	-	-	
Cashless Exercise of Common Stock Purchase Warrants	-	-	-	-	104,901	5,245	(5,245)	-	-	
Exchange of Common Stock for Noncontrolling Interests	-	-	-	-	232,574	11,629	(95,247)	-	(
	-	-	-	-	20,739	1,036	19,703	-	-	

Distribution of
Common Stock
to
Noncontrolling
Interests

Distributions to
Noncontrolling
Interests

Net Income
(Loss)

Balance, June
30, 2015

-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(346,816)	(3)
200,500	\$401,000	375,000	\$375,000	22,237,352	\$1,111,867	\$8,620,682	\$(586,645))	\$90	

See accompanying notes to consolidated financial statements.

GLOBAL HEALTHCARE REIT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Six Months Ended June 30,
2015 2014

Cash Flows from Operating Activities		
Net Income (Loss)	\$ (307,679)	\$2,090,209
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation	610,725	168,504
Amortization and Accretion	96,685	13,082
Increase in Straight Line Rent Receivable	(106,319)	(6,000)
Bargain Purchase Gain	–	(3,000,000)
Loss on Sale of Property and Equipment	–	381,395
Stock Based Compensation	158,332	47,348
Equity in (Income) Loss from Unconsolidated Partnership	(53,688)	15,425
Changes in Operating Assets and Liabilities, Net of Assets and Liabilities Acquired:		
Accounts Payable and Accrued Liabilities	(27,277)	(456,455)
Lease Security Deposit	80,000	(28,000)
Other	(131,127)	(11,332)
Net Cash Provided by (Used in) Operating Activities	319,652	(785,824)
Cash Flows from Investing Activities		
Issuance of Note Receivable	(250,000)	–
Issuance of Notes Receivable - Related Parties	–	(650,000)
Collections on Notes Receivable - Related Parties	566,397	15,650
Net Advances from/to Related Parties	(80,000)	(362,264)
Change in Restricted Cash	201,925	(3,104,237)
Earnest Money on Deposit	500,000	–
Acquisitions of Property and Equipment, Net of Cash Acquired	–	(2,761,665)
Capital Expenditures for Property and Equipment	(321,828)	(461,961)
Proceeds from Sale of Property and Equipment	–	3,414,000
Net Cash Provided by (Used in) Investing Activities	616,494	(3,910,477)

Cash Flows from Financing Activities

Proceeds from Debt	2,303,815	7,121,860
Payments on Debt	(2,605,158)	(5,612,356)
Change in Restricted Cash	177,671	307,638
Deferred Loan Costs Paid	(90,455)	(473,960)
Proceeds from Common Stock Offering	–	3,190,717
Offering Costs Paid	–	(285,501)
Exercise of Common Stock Warrants	14,573	95,264
Dividends Paid on Common Stock	(218,367)	(198,727)
Dividends Paid on Preferred Stock	(14,877)	(23,281)
Distributions to Noncontrolling Interests	(68,766)	(27,910)
Net Cash Provided by (Used in) Financing Activities	(501,564)	4,093,744
Net Increase (Decrease) in Cash and Cash Equivalents	434,582	(602,557)
Cash and Cash Equivalents, Beginning of Period	533,597	1,180,192
Cash and Cash Equivalents, End of Period	\$968,179	\$577,635

Supplemental Disclosure of Cash Flow Information

Cash Paid for Interest, Net of Capitalized Interest		
of \$105,867 and \$42,254, Respectively	\$1,102,295	\$131,715

See accompanying notes to consolidated financial statements.

GLOBAL HEALTHCARE REIT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of the Business

Global Healthcare REIT, Inc. (the Company or Global) was organized with the intent of operating as a real estate investment trust (REIT) for the purpose of investing in real estate and other assets related to the healthcare industry.

Prior to the Company changing its name to Global Healthcare REIT, Inc. on September 30, 2013, the Company was known as Global Casinos, Inc. Global Casinos, Inc. operated two gaming casinos which were split-off and sold on September 30, 2013. Simultaneous with the split-off and sale of the gaming operations, the Company acquired West Paces Ferry Healthcare REIT, Inc. (WPF) in a transaction accounted for as a reverse acquisition whereby WPF was deemed to be the accounting acquirer.

The Company intends to make a REIT election under sections 856 through 859 of the Internal Revenue Code of 1986, as amended. Such election will be made by the Board of Directors at such time as the Board determines that we qualify as a REIT under applicable provisions of the Internal Revenue Code.

The Company acquires, develops, leases, manages and disposes of healthcare real estate, and provides financing to healthcare providers. As of June 30, 2015, the Company owned nine healthcare properties which are leased to third-party operators under triple-net operating terms.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) for interim financial information and in conjunction with the rules and regulations of the Securities Exchange Commission. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary to make the consolidated financial statements not misleading have been included.

Operating results for the six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the entire year. The unaudited consolidated financial statements should be read in conjunction with the

audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission.

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and variable interest entities (VIE's) for which the Company has determined itself to be the primary beneficiary. Third party equity interests in subsidiaries and VIE's are recognized as noncontrolling interests in the consolidated financial statements. All significant inter-company balances and transactions have been eliminated in consolidation.

The Company is the primary beneficiary of a VIE if the Company has the power to direct the activities of the VIE that most significantly impact its economic performance and the obligation to absorb losses or receive benefits from the VIE that could be significant to the Company. If the interest in the entity is determined not to be a VIE, then the entity is evaluated for consolidation based on legal form, economic substance, and the extent to which the Company has control and/or substantive participating rights under the respective ownership agreement.

There are judgments and estimates involved in determining if an entity in which the Company has an investment is a VIE. The entity is evaluated to determine if it is a VIE by, among other things, determining if the equity investors as a group have a controlling financial interest in the entity and if the entity has sufficient equity at risk to finance its activities without additional subordinated financial support.

The Company receives the services of consultants and affiliates for which the service providers are not compensated either through cash or equity, and such costs are not currently recorded in the consolidated financial statements but are necessary for the operation of the Company. If the Company had to pay for such services, operating expenses of the Company would have increased and operating cash flows of the Company would have decreased.

Use of Estimates and Assumptions

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates included herein relate to the recoverability of assets, the purchase price allocation for properties acquired, and the fair value of certain assets and liabilities. Actual results may differ from estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash consisted of the following as of June 30, 2015 and December 31, 2014:

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	June 30, 2015	December 31, 2014
Funds Held in Escrow Related to Construction Projects	\$ 3,785	\$ 205,710
Funds Held in Escrow Under the Terms of Notes or Bonds Payable for Purposes of Paying Future Debt Service costs	520,776	698,447
	\$ 524,561	\$ 904,157

Concentration of Credit Risk

The Company maintains deposits in financial institutions that at times exceed the insured amount of \$250,000 provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The excess amounts at June 30, 2015 and December 31, 2014 were \$1,057,328 and \$968,117, respectively. The Company believes the financial institutions it uses are creditworthy and stable. The Company does not believe that it is exposed to any significant credit risk in cash and cash equivalents or restricted cash.

Property and Equipment

In accordance with purchase accounting guidance established for entities under common control, the property and equipment acquired from entities under common control are stated at their carrying value on the date of acquisition. Property and equipment not acquired from entities under common control is recorded at its estimated fair value. Estimated fair value is determined with the assistance from independent valuation specialists using recent sales of similar assets, market conditions or projected cash flows of properties using standard industry valuation techniques.

Upon acquisition of real estate properties, the Company determines the total purchase price of each property and allocates this price based on the fair value of tangible assets and intangible assets, if any, acquired and any liabilities assumed. Information used to determine fair value includes comparable sales values, discount rates, capitalization rates, and lease-up assumptions from a third party appraisal or other market sources.

Acquisition-related costs such as due diligence, legal and accounting fees are expensed as incurred.

Any subsequent betterments and improvements are stated at their recorded cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Useful lives of the assets are summarized as follows:

Land Improvements	15 years
Buildings and Improvements	30 years
Furniture, Fixtures and Equipment	10 years

Impairment of Long Lived Assets

When circumstances indicate the carrying value of property and equipment may not be recoverable, the Company reviews the property for impairment. This review is based on an estimate of the future undiscounted cash flows, excluding interest charges, expected to result from the property's use and eventual disposition. This estimate considers factors such as expected future operating income, market and other applicable trends and residual value, as well as the effects of leasing demand, competition and other factors. If impairment exists, due to the inability to recover the carrying amount of the property, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property and equipment. Estimated fair value is determined with assistance from independent valuation specialists using recent sales of similar assets, market conditions or projected cash flows of the property using standard industry valuation techniques.

Advances To Related Parties

The Company will periodically advance cash to and receive cash from various related parties as a part of the normal course of business. We will not make any advances to related parties that would violate the provisions of the Sarbanes-Oxley Act. The Company plans to monitor these non-interest bearing advances on a continual basis, evaluating the creditworthiness of the related party and its ability to repay the advance, generally using the strength and projected cash flows of the underlying related party operations as a basis for extending credit. The Company records allowances for collection against the advances when factors are present that indicate the related party may not be able to repay the advance.

Notes Receivable

The Company evaluates its notes receivable for impairment when it is probable the payment of interest and principal will not be made in accordance with the contractual terms of the note agreements. Once a note has been determined to be impaired, it is measured to establish the amount of the impairment, if any, based on the fair value of the note using the present value of expected future cash flows discounted at the note's effective interest rate. If the fair value of the impaired note receivable is less than the recorded investment in the note, a valuation allowance is recognized.

Deferred Loan Costs

Deferred loan costs are amortized over the life of the related loan using the straight-line method which approximates the effective interest method. Amortization expense for the three months ended June 30, 2015 and 2014 totaled \$37,377 and \$12,185, respectively. For the six months ended June 30, 2015 and 2014, amortization expense was \$104,491 and \$24,371, respectively. Accumulated amortization totaled \$215,820 and \$111,329 as of June 30, 2015 and December 31, 2014, respectively. Deferred loan cost amortization is included as a component of interest expense in the consolidated statements of operations.

Goodwill

Goodwill represents the excess of a Company's purchase price over the fair value of the identifiable assets acquired and liabilities assumed in a business combination. Goodwill resulting from acquisitions is not amortized, but is tested for impairment annually or whenever events change and circumstances indicate that it is more likely than not that an impairment loss has occurred. Management initially performs a qualitative analysis of goodwill using qualitative factors to determine if it is more likely than not that the fair value of the Company is less than its carrying amount including goodwill. Such qualitative factors include macroeconomic conditions, industry and market considerations, cost factors, overall financial performance and other relevant entity-specific events. If after assessing the totality of events or circumstances, the Company determines through the qualitative assessment that the fair value of a reporting

unit more likely than not exceeds its carrying value, no further evaluation is necessary, and performing the two-step impairment test is not required. There were no triggering events that required a test of impairment of goodwill during the six months ended June 30, 2015.

Revenue Recognition

The Company's leases may be subject to annual escalations of the minimum monthly rent required under each lease. The accompanying consolidated financial statements reflect rental revenue on a straight-line basis over the term of each lease. Cumulative adjustments associated with the straight-line rent requirement are reflected in Prepaid Expenses, Deferred Loan Costs, and Other in the consolidated balance sheets and totaled \$242,356 and \$136,037 as of June 30, 2015 and December 31, 2014, respectively. Adjustments to reflect rental revenue on a straight-line basis totaled \$106,319 and \$6,000 for the six months ended June 30, 2015 and 2014, respectively.

Income Taxes

The Company will elect to be taxed as a REIT at such a time as the Board of Directors, with the consultation of professional advisors, determines the Company qualifies as a REIT under applicable provisions of the Internal Revenue Code. The Company cannot predict for which tax year that election will be made. Therefore, applicable taxes have been recorded in the accompanying consolidated financial statements.

The Company uses the asset and liability method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates resulting from new legislation is recognized in income in the period of enactment. A valuation allowance is established against deferred tax assets when management concludes that the "more likely than not" realization criteria has not been met. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained.

Income (Loss) Per Common Share

Basic income (loss) per share is computed by dividing the net income (loss) attributable to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed based on the weighted average number of common shares and potentially dilutive common shares outstanding. The calculation of diluted net income (loss) per share excludes potential common shares if the effect would be anti-dilutive. Potential common shares consist of incremental common shares issuable upon the exercise of warrants and shares issuable upon the conversion of preferred stock.

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The following table details the calculation of the weighted average number of common shares and dilutive common shares used in diluted income (loss) per share as of June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Weighted Average Number of Common Shares Used in Basic Income (Loss) Per Share	22,018,906	19,720,478	21,961,607	18,437,408
Effect of Dilutive Securities:				
Common Stock Warrants	-	-	-	2,347,830
Convertible Preferred Stock	-	-	-	354,107
Weighted Average Number of Common Shares and Dilutive Potential Common Stock Used in Diluted Income (Loss) Per Share	22,018,906	19,720,478	21,961,607	21,139,345
Anti-Dilutive Equity Awards Excluded from Effect of Dilutive Securities	3,060,951	4,422,728	3,060,951	-

Comprehensive Income

For the periods presented, there were no differences between reported net income (loss) and comprehensive income (loss).

Recently Issued Accounting Pronouncements

During April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-08, “Presentation of Financial Statements and Property, Plant and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.” ASU 2014-08 modifies the requirements for reporting discontinued operations. Under the amendments in ASU 2014-08, the definition of discontinued operation has been modified to only include those disposals of an entity that represent a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. ASU 2014-08 was applied prospectively for periods beginning the quarter ended March 31, 2014. The Company disposed of its Scottsburg Healthcare Center on March 10, 2014 and recognized a loss upon disposition as a component of income from continuing operations for the six months ended June 30, 2014.

In August 2014, the FASB issued ASU No. 2014-15, “Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”, which requires management to assess a company’s ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. Before this new standard, there was minimal guidance in U.S. GAAP specific to going concern. Under the new standard, disclosures are required when conditions give rise to substantial doubt about a company’s ability to continue as a going concern within one year from the financial statement issuance date. The guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, with early adoption permitted. The Company has not yet determined the impact, if any, that the adoption of this guidance will have on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs.” The new standard requires that all costs incurred to issue debt be presented in the balance sheet as a direct deduction from the carrying value of the debt. The standard is effective for interim and annual periods beginning after December 31, 2015 and is required to be applied on a retrospective basis. Early adoption is permitted. We expect that the adoption of ASU 2015-03 will not have a material effect on the Company’s financial position, results of operations or cash flows.

2. ACQUISITIONS OF CONSOLIDATED PROPERTIES

The Company did not acquire any properties during the six months ended June 30, 2015. Property acquisitions in the six months ended June 30, 2014 are as follows:

Date Acquired	Property Name	Location	Purchase Price	Debt Assumed ⁽²⁾
January 27, 2014	Scottsburg Healthcare Center	Scottsburg, Indiana	\$ 112,500 (1)	\$ 3,480,000
February 7, 2014	Southern Hills Retirement Center	Tulsa, Oklahoma	2,000,000	-
May 19, 2014	Goodwill Nursing Home	Macon, Georgia	800,000	4,813,346

(1) The purchase price for this property included the issuance of 150,000 shares of the Company’s common stock valued at \$112,500.

(2) Does not include new financing in the form of unsecured subordinated debt.

The allocation of the aggregate purchase prices to the fair value of assets acquired and liabilities assumed for the above acquisitions is as follows:

	June 30, 2014
Assets Acquired:	
Cash	\$38,335
RestrictedCash	44,908
PropertyandEquipment	15,122,046
	15,205,289
Liabilities Assumed:	
AccountsPayableandOtherAccruedLiabilities	(258,012)
Due to Related Parties	(31,199)
Lease Security Deposit	(128,000)
Debt	(8,293,346)
Noncontrolling Interest	(582,232)
	(9,292,789)
Net Assets Acquired	\$5,912,500

On March 10, 2014, Scottsburg Healthcare Center was sold for \$3.6 million under a purchase agreement dated October 9, 2008, as amended and assigned, which resulted in a loss upon disposition of property and equipment of \$381,395 for the six months ended June 30, 2014. The Company has also recognized a loss from operations for the six months ended June 30, 2014 approximating \$35,000 related to Wood Moss. The Company has presented these results as a component of income from continuing operations.

For the three and six months ended June 30, 2015 and 2014, total revenues and net income for properties acquired during the six months ended June 30, 2014, which are included in our consolidated statements of operations, are as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues	\$369,574	\$88,141	\$637,956	\$97,808
Net Income (Loss)	\$124,020	\$ (16,479)	\$33,642	\$2,375,916 (1)

(1) The purchase price allocation related to the acquisition of Southern Hills Retirement Center resulted in a bargain purchase gain of \$3 million.

The results of operations of acquired properties are included in the consolidated statements of operations beginning on their respective acquisition dates. The following unaudited condensed pro forma financial information presents the results of operations as if all acquisitions in 2014 had taken place on January 1, 2014. The unaudited condensed pro forma information excludes our Scottsburg Healthcare Center disposed on March 10, 2014. The unaudited condensed pro forma financial information was prepared for comparative purposes only and is not necessarily indicative of what would have occurred had the acquisition been made at that time or of results which may occur in the future.

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	(unaudited)		(unaudited)	
Revenues	\$ 1,162,359	\$ 964,283	\$ 2,285,673	\$ 1,936,942
Net Income (Loss)	(90,362)	(259,818)	(307,679)	2,490,159
Net Income (Loss) Attributable to Common Stockholders	(121,890)	(269,970)	(361,693)	2,422,107
Net Income(Loss)Per Share Attributable to Common Stockholders-Basic	(0.01)	(0.01)	(0.02)	0.13
Net Income (Loss) Per Share Attributable to Common Stockholders - Diluted	(0.01)	(0.01)	(0.02)	0.11

3. INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES

Limestone, LLC

Effective March 5, 2014, the Company consummated a Membership Interest Purchase Agreement providing for the purchase from Connie Brogdon, spouse of Christopher Brogdon, President and Director of the Company, for nominal consideration (\$10), a 25% membership interest in Limestone Assisted Living, LLC (“Limestone LLC”). The remaining 75% membership interest in Limestone LLC was owned by Connie Brogdon (5%) and unaffiliated third parties (70%).

Limestone LLC owned 100% of the Limestone Assisted Living Facility, a 42-bed, 22,189 square foot assisted living facility located in Gainesville, Georgia. The Company extended a loan to Limestone LLC as described in Note 6. On March 25, 2015, the Limestone facility was sold and the note receivable due the Company was repaid in full, including accrued interest of \$54,845. As of June 30, 2015, the Company’s carrying amount under the equity method was \$0.

4. PROPERTY AND EQUIPMENT

The gross carrying amount and accumulated depreciation of the Company’s property and equipment as of June 30, 2015 and December 31, 2014 are as follows:

	June 30, 2015	December 31, 2014
Land	\$ 1,611,000	\$ 1,611,000
Land Improvements	200,000	200,000
Buildings and Improvements	38,634,523	35,610,445
Furniture, Fixtures and Equipment	1,051,473	1,037,436
Construction in Progress	-	2,716,287
	41,496,996	41,175,168
Less Accumulated Depreciation	(1,526,536)	(915,811)
	\$ 39,970,460	\$ 40,259,357

Effective April 1, 2015, construction in progress in the amount of \$3,024,079 related to the Southern Hills assisted living facility was placed in operation and is being depreciated.

5. NOTE RECEIVABLE*Note Receivable - Healthcare Management of Oklahoma, LLC*

On July 15, 2014, the Company entered into a \$363,404 revolving line of credit with Healthcare Management of Oklahoma, LLC to be utilized for working capital needs related to the operation of the Southern Hills skilled nursing facility. The note matured on July 14, 2015 and earned interest at a fixed rate of 8%. The note was secured by accounts receivable and third-party personal guarantees.

On March 1, 2015, the Company entered into a revolving loan, replacing the note described above, in the amount of \$250,000 which earns interest at a fixed rate of 8%. All unpaid principal and interest is due to the Company on February 29, 2016. The note is secured by all tangible and intangible property of the borrower.

As of June 30, 2015 and December 31, 2014, amounts outstanding totaled \$250,000 and \$0, respectively.

6. NOTES RECEIVABLE - RELATED PARTIES

Notes Receivable - Related Parties consists of the following:

	June 30, 2015	December 31, 2014
Note Receivable - Gemini Gaming, LLC	\$585,216	\$590,500
Note Receivable - Limestone Assisted Living, LLC	-	496,322
Note Receivable - GL Investors, LLC	100,000	100,000
	\$685,216	\$1,186,822

Note Receivable - Gemini Gaming, LLC

In connection with the split-off of gaming assets by Global, the Company accepted a note receivable in the amount of \$962,373 from Gemini Gaming, LLC. The note bears interest at 4.0% and is payable in quarterly installments of

\$17,495 beginning on January 1, 2014 through maturity of the note on October 1, 2033. The note is secured by all rights, title, and interest in and to 100,000 shares of the membership interest in Gemini Gaming, LLC. In the event of default, the Company may not take possession of gaming assets or equipment or operate the casino unless duly licensed by the State of Colorado Division of Gaming.

On the acquisition date, the fair value of the note receivable was estimated by discounting the expected cash flows at a rate of 10.0%, a rate at which management believes a similar loan with similar terms and maturity would be made. As a result, the note receivable was discounted by \$362,225 to its fair value of \$600,148. The discount is accreted into earnings using the interest method over the term of the note. For the three months ended June 30, 2015 and 2014, \$5,564 and \$5,495, respectively, has been accreted into earnings. For the six months ended June 30, 2015 and 2014, \$11,113 and \$11,031, respectively, has been accreted into earnings.

Note Receivable - Limestone Assisted Living, LLC

The Company extended a loan to Limestone Assisted Living, LLC in the principal amount of \$550,000 which was repayable, together with interest at the rate of 10% per annum, on or before the earlier of (i) August 31, 2014 or (ii) from the proceeds of the sale of the Limestone Assisted Living facility. The obligation of Limestone LLC to repay the loan was secured by the personal guarantee of Christopher Brogdon. Proceeds from the loan were used by Limestone LLC to repay and retire a loan in the principal amount of \$500,000, plus accrued and unpaid interest, owed to an unaffiliated third party.

The loan was not paid by Limestone LLC as of August 31, 2014 which constituted an event of default. The maturity date of the loan was extended by agreement to August 31, 2015.

On March 25, 2015, the Limestone facility was sold and the note receivable due the Company was repaid in full, including accrued interest of \$54,845.

Note Receivable - GLN Investors, LLC

On February 4, 2014, the Company extended a loan to GL Investors, LLC in the amount of \$100,000. GL Investors, LLC is an entity controlled by Christopher Brogdon. The loan does not have a stated maturity date and earns interest at a rate of 13% per annum. The loan is unsecured; however, the Company has been assigned rights to distributions from GL Investors, LLC until the loan is paid in full.

7. DEBT

The following is a summary of the Company's debt outstanding as of June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
Convertible Notes Payable	\$3,200,000	\$3,200,000
Fixed-Rate Mortgage Loans	14,377,717	13,660,830
Variable-Rate Mortgage Loans	8,128,430	8,216,660
Bonds Payable	5,700,000	5,700,000

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Other Debt - Related Parties	5,980,000	6,910,000
	37,386,147	37,687,490
Less Unamortized Discount	75,310	76,616
	\$37,310,837	\$37,610,874

Convertible Notes Payable**6.5% Notes Due 2017**

On September 26, 2014, the Company completed a private offering of its 6.5% Senior Secured Convertible Promissory Notes in the amount of \$3,200,000. The Notes can be called for redemption at the option of the Company at any time (i) after September 15, 2015 but prior to September 15, 2016 at an early redemption price equal to 103% of the face amount of the Notes, plus accrued and unpaid interest, or (ii) any time after September 15, 2016 but prior to September 15, 2017 at an early redemption price equal to 102% of the face amount of the Notes, plus accrued and unpaid interest. Each Note is convertible at the option of the holder into shares of common stock of the Company at a conversion price of \$1.37 per share. The Notes will automatically convert into common stock at the conversion price in the event (i) there exists a public market for the Company's common stock, (ii) the closing price of the common stock in the principal trading market has been \$2.00 per share or higher for the preceding ten (10) trading days, and (iii) either (A) there is an effective registration statement registering for resale under the Securities Act of 1933, as amended, the conversion shares or (B) the conversion shares are eligible to be resold by non-affiliates of the Company without restriction under Rule 144 of the Securities Act. At the time of issuance and based on the Company's common stock trading activity, the Company determined that no beneficial conversion feature was associated with the Notes. As of June 30, 2015, none of the Notes have been converted into common stock.

The Notes are secured by a senior mortgage on the Meadowview Healthcare Center located in Seville, Ohio.

The Company paid a Placement Agent fee in the amount of \$96,000 resulting in net proceeds to the Company of \$3,104,000. In addition, the Company granted to the Placement Agent Warrants equal to 5% of the number of shares of common stock underlying the Notes sold in the Offering, exercisable for five years at an exercise price of \$1.37 per share of Common Stock. The estimated fair value of the warrants in the amount of \$56,065 and the Placement Agent fee of \$96,000 will be amortized to interest expense over the life of the Notes. The estimated fair value of the warrants was determined using the following assumptions:

Expected Volatility	75%
Contractual Term	5 Years
Risk Free Interest Rate	1.77%
Expected Dividend Rate	1.00%

Mortgage Loans

Mortgage loans are collateralized by all assets of each nursing home property and an assignment of its rents. Collateral for certain mortgage loans includes the personal guarantee of Christopher Brogdon. Mortgage loans for the periods presented consisted of the following:

Property	Face Amount	Principal Outstanding at		Stated Interest Rate	Maturity Date
		June 30, 2015	December 31, 2014		
Middle Georgia					
Nursing Home	\$ 4,200,000	\$ 3,841,325	\$ 3,872,112	6.25% Fixed	August 29, 2015 (1)
Goodwill Nursing Home	4,976,316	4,668,610	4,735,516	5.50% Fixed	December 28, 2015
Warrenton Nursing Home	2,720,000	2,598,052	2,639,469	5.00% Fixed	December 20, 2018
Edwards Redeemer					
Health & Rehab	2,303,815	2,257,865	-	5.50% Fixed	January 16, 2020
Edwards Redeemer					
Health & Rehab	1,501,500	-	1,361,728	4.25% Fixed	January 16, 2015
Southern Hills					
Retirement Center	1,750,000	1,011,865	1,052,005	4.75% Fixed	November 10, 2017
Providence of Sparta					
Nursing Home	1,725,000	1,702,010	1,717,330	Prime Plus 0.50%/6.00% Floor	September 17, 2016
Providence of Greene					
Point Healthcare Center	1,725,000	1,702,175	1,722,423	Prime Plus 0.50%/6.00% Floor	November 5, 2016
Golden Years Manor	5,000,000	4,724,245	4,776,907	PrimePlus 1.50%/5.75%Floor	August 3, 2037

Nursing Home

\$ 22,506,147	\$ 21,877,490
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(1) On July 15, 2015, the maturity date was extended to August 29, 2015 by the lender to allow time complete a renewal.

The mortgage loan collateralized by the Golden Years Manor Nursing Home is 80% guaranteed by the USDA and requires an annual renewal fee payable in the amount of 0.25% of the USDA guaranteed portion of the outstanding principal balance as of December 31 of each year. The Company is subject to financial covenants and customary affirmative and negative covenants. As of June 30, 2015, the Company was not in compliance with certain of these non-financial covenants which is considered to be a technical Event of Default as defined in the note agreement. Remedies available to the lender in the event of a continuing Event of Default, at its option, include, but are necessarily limited to the following (1) lender may declare the principal and all accrued interest on the note due and payable; and (2) lender may exercise additional rights and remedies under the note agreement to include taking possession of the collateral or seeking satisfaction from the guarantors. The Company has not been notified by the lender regarding the exercise of any remedies available. Guarantors under the mortgage loan are Christopher Brogdon and GLN Investors, LLC, in which the Company owns a 75% membership interest.

Bonds Payable - Tulsa County Industrial Authority

On March 1, 2014, Southern Tulsa, LLC (Southern Tulsa), a subsidiary of WPF that owns the Southern Hills Retirement Center, entered into a loan agreement with the Tulsa County Industrial Authority (Authority) in the State of Oklahoma pursuant to which the Authority lent to Southern Tulsa the proceeds from the sale of the Authority's Series 2014 Bonds. The Series 2014 Bonds consist of \$5,075,000 in Series 2014A First Mortgage Revenue Bonds and \$625,000 in Series 2014B Taxable First Mortgage Revenue Bonds. The Series 2014 Bonds were issued pursuant to a March 1, 2014 Indenture of Trust between the Authority and the Bank of Oklahoma. \$4,325,000 of the Series 2014A Bonds mature on March 1, 2044 and accrue interest at a fixed rate of 7.75% per annum. The remaining \$750,000 of the Series 2014A Bonds mature on various dates through final maturity on March 1, 2029 and accrue interest at a fixed rate of 7.0% per annum. The Series 2014B Bonds mature on March 1, 2023 and accrue interest at a fixed rate of 8.5% per annum. The debt is secured by a first mortgage lien on the independent living units and assisted living facility (facilities), an assignment of the facilities' leases, a first lien on all personal property located in the facilities, and a guarantee by the Company. Deferred loan costs incurred of \$478,950 and an original issue discount of \$78,140 related to the loan are amortized to interest expense over the life of the loan. The loan agreement includes certain financial covenants required to be maintained by the Company, which were in compliance as of June 30, 2015. As of June 30, 2015, restricted cash of \$524,561 is related to these bonds.

Other Debt - Related Parties

Other debt due to related parties at June 30, 2015 and December 31, 2014 includes unsecured notes payable issued to entities controlled by Christopher Brogdon used to facilitate the acquisition of the nursing home properties.

Property	Face Amount	Principal Outstanding at		Stated Interest Rate	Maturity Date
		June 30, 2015	December 31, 2014		
Goodwill Nursing Home	\$ 2,180,000(4)	\$ 2,155,000	\$ 2,180,000	13.0% ⁽¹⁾ Fixed	July 1, 2016 ⁽²⁾
Edwards Redeemer Health & Rehab	880,000	-	880,000	12.0% Fixed	Repaid on January 23, 2015
Providence of Sparta Nursing Home	1,050,000	1,050,000	1,050,000	10.0% Fixed	August 1, 2016 ⁽³⁾
Providence of Greene Point					
Healthcare Center	1,150,000	1,125,000	1,150,000	10.0% Fixed	October 1, 2016
Golden Years Manor Nursing Home	1,650,000	1,650,000	1,650,000	11.0% Fixed	April 1, 2016
		\$ 5,980,000	\$ 6,910,000		

- (1)** The interest rate on this note increased to 13% per annum effective January 1, 2015.
- (2)** The subordinated note on Goodwill matured on July 1, 2015. Investors in the Goodwill note are entitled to an additional 5% equity in Goodwill Hunting, LLC every six months if the note is not paid when due. The Company is negotiating with these investors to purchase their residual equity interests in exchange for shares of common stock. There can be no assurance that these negotiations will be successful.
- (3)** The subordinated note on Sparta matured on August 1, 2015. Investors in the Sparta note are entitled to an additional 5% equity in Providence HR, LLC every six months if the note is not paid when due. The Company is negotiating with these investors to purchase their residual equity interests in exchange for shares of common stock. There can be no assurance that these negotiations will be successful.
- (4)** The Company is the holder of a \$800,000 beneficial interest in the Goodwill subordinated note.

Future maturities of all of the notes and bonds payable listed above for the next five years and thereafter are as follows:

2015	\$8,698,089
2016	9,738,888
2017	4,473,879
2018	2,643,141
2019	289,340
2020 and Thereafter	11,542,810
	\$37,386,147

8. STOCKHOLDERS' EQUITY

Preferred Stock

The Company has authorized 10,000,000 shares of preferred stock. These shares may be issued in series with such rights and preferences as may be determined by the Board of Directors.

Series A Convertible Redeemable Preferred Stock

The Company's Board of Directors has authorized 2,000,000 shares of \$2.00 stated value, Series A Preferred Stock. The preferred stock has a senior liquidation preference value of \$2.00 per share and does not bear dividends.

As of June 30, 2015 and December 31, 2014, the Company has 200,500 shares of Series A Preferred stock outstanding.

Series D Convertible Preferred Stock

The Company has established a class of preferred stock designated “Series D Convertible Preferred Stock” (Series D preferred stock) and authorized an aggregate of 1,000,000 non-voting shares with a stated value of \$1.00 per share.

Holders of the Series D preferred stock are entitled to receive dividends at the annual rate of eight percent (8%) based on the stated value per share computed on the basis of a 360 day year and twelve 30 day months. Dividends are cumulative, shall be declared quarterly, and are calculated from the date of issue and payable on the fifteenth day of April, July, October and January. The dividends may be paid, at the option of the holder either in cash or by the issuance of shares of the Company’s common stock valued at the market price on the dividend record date. Shares of the Series D preferred stock are redeemable at the Company’s option. At the option of the holder, shares of the Series D preferred stock plus any declared and unpaid dividends are convertible to shares of the Company’s common stock at a conversion rate of \$1.00 per share.

During April 2014, holders of 325,000 shares of Series D Preferred Stock converted their shares to the Company’s common stock. As of June 30, 2015, the Company had 375,000 shares of Series D preferred stock outstanding.

Dividends of \$7,377 were declared and paid on June 30, 2015. All quarterly dividends previously declared have been paid.

Common Stock

On March 14, 2014, the Company completed its private offering of common stock which commenced on December 4, 2013. The Company sold an aggregate of 4,776,115 shares of common stock at \$0.75 per share for gross proceeds of \$3,190,717 during 2014. Of the total subscriptions, \$153,432 in principal and accrued interest of notes were exchanged for shares, 150,000 shares were issued in consideration for a 100% membership interest in Scottsburg Investors, LLC, which initially owned a 32.5% membership interest in Wood Moss, and the balance was received in cash. After deducting \$285,501 for placement agent fees, non-accountable expense allowance, and expense reimbursements, the Company realized net cash proceeds of \$2,905,216 during 2014. In addition, the Company granted to the placement agent warrants equal to 10% of the number of shares sold in the offering, exercisable for five years at an exercise price of \$0.75 per share of common stock.

A dividend of \$0.01 per outstanding share of common stock (a total of \$218,317) was declared in March 2015 and paid in April 2015. In June 2015, a dividend of \$0.01 per outstanding share of common stock (a total of \$219,208) was declared and paid in July 2015.

Restricted Stock Awards

On January 2, 2015, the Company issued a restricted stock award of 33,333 shares of common stock to each of its five directors with a fair value of \$0.90 per share in consideration of services provided. The shares vested immediately. The Company also issued a restricted stock award of 50,000 shares of common stock to an executive officer valued at \$1.00 per share in consideration of services provided. The shares vest over a period of three years. Stock based compensation related to the restricted stock awards of \$4,167 and \$158,332 was recognized for the three and six months ended June 30, 2015. As of June 30, 2015, there was \$41,666 of unrecognized stock based compensation expense related to nonvested restricted stock awards which is expected to be recognized over 2.5 years.

Common Stock Warrants

As of June 30, 2015, the Company had 2,862,739 of outstanding warrants to purchase common stock at a weighted average exercise price of \$0.76. Activity related to common stock warrants follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at January 1, 2015	3,541,731	\$0.74
Exercised	(22,242)	0.65
Cashless Exercise	(466,300)	0.75

Expired	(190,450)	0.50
Balance at June 30, 2015	2,862,739	\$0.76

9. COMMITMENTS AND CONTINGENCIES

The Company has a contingent liability for rental payments on a long-term lease related to the casino operations split-off and sold to Gemini Gaming, LLC. The total minimum rentals under this lease total \$25,362 through termination of the lease agreement in July 2015. As part of the split-off, Gemini Gaming, LLC assumed the lease liability and agreed to indemnify the Company from any liability therefrom. In addition, Casinos U.S.A, Inc., a wholly-owned subsidiary of Gemini Gaming, LLC that owns and operates the Bull Durham Saloon and Casino located in Black Hawk, Colorado, has guaranteed the lease obligation on a joint and several basis with Gemini Gaming, LLC. All rental payments have been made by Gemini Gaming, LLC on a timely basis, and as a result no payments on the contingency have been required through termination of the lease in July 2015.

10. RELATED PARTIES

Christopher Brogdon is a member of the Company's board of directors and also the Chief Executive Officer and President of the Company.

Prior to June 30, 2013, the Company acquired an unsecured, interest free receivable due from Christopher Brogdon totaling \$500,000. On September 16, 2014, the receivable due from Mr. Brogdon was exchanged for a 62.5% membership interest in Edwards Redeemer Property Holding, LLC. As of June 30, 2015 and December 31, 2014, the Company has an advance to Christopher Brogdon in the amount of \$53,211. In addition to the advances above, Christopher Brogdon is affiliated with other companies to which advances have been made or received. As of June 30, 2015 and December 31, 2014, the Company has unsecured and interest-free, net amounts due from companies affiliated with Christopher Brogdon totaling \$380,000 and \$300,000, respectively. These affiliates are related to the Company through common control and ownership of Christopher Brogdon.

Christopher Brogdon is the managing member of Redeemer Investors, LLC, Providence HR Investors, LLC, 1321 Investors, LLC, Goodwill Investors, LLC, GLN Investors, LLC and Dodge Investors, LLC. As described in Note 7, the Company has or had notes payable to these entities.

Clifford Neuman, a director of the Company, is a manager and member of Gemini Gaming, LLC. As described in Note 6, the Company has a note receivable from Gemini Gaming, LLC.

In connection with its private placement of common stock described elsewhere in this report, the Company engaged the services of GVC Capital LLC, ("GVC"), a registered broker-dealer and FINRA member, to serve as Placement Agent. GVC was paid a Placement Agent fee in the closings of the offering during 2014 in the amount of \$415,627, a non-accountable expense allowance in the amount of \$134,392 and expense reimbursement in the amount of \$17,088.

Steven Bathgate, a director, is a managing member of GVC and as a result had a financial interest in the payments

made to GVC. In addition, GVC was issued warrants to purchase shares of common stock equal to 10% of the shares sold in the offering.

11. FACILITY LEASES

The following table summarizes our leasing arrangements related to the Company's healthcare facilities:

Facility	Monthly Lease Income ⁽¹⁾	Lease Expiration	Renewal Option, if any
Middle Georgia	\$ 47,000	June 30, 2017	Term may be extended for one additional five year term.
Warrenton	27,871	June 30, 2016	None. ⁽⁵⁾
Goodwill	62,036	December 31, 2017	Term may be extended for one additional five year term.
Edwards Redeemer	45,062	March 31, 2018	Term may be extended for one additional five year term.
Providence	19,782	June 30, 2016	None. ⁽⁵⁾
Greene Pointe	21,185	June 30, 2016	None. ⁽⁵⁾
Meadowview	34,195	October 31, 2024	Term may be extended for one additional five year term.
Golden Years	64,200	May 31, 2017	Term may be extended for one additional five year term.
Southern Hills SNF ⁽²⁾	37,442	May 31, 2019	Term may be extended for one additional five year term.
Southern Hills ALF ⁽³⁾	21,435	March 31, 2019	None
Southern Hills ILF ⁽⁴⁾	-	-	-

(1) Monthly lease income reflects rent income on a straight-line basis over the term of each lease.

(2) Lease agreement dated May 21, 2014 with lease payments commencing February 1, 2015.

(3) Lease agreement dated March 19, 2014 with lease payments commencing April 1, 2015.

(4) The Southern Hills ILF is currently under construction and not subject to an operating lease. We expect to lease the ILF with an expected commencement date of January 1, 2016.

(5) The operating leases covering Warrenton, Providence and Greene Pointe expire in June 2016 without renewal options.

Lessees are responsible for payment of insurance, taxes and other charges while under the lease. Should the lessees not pay all such charges, as required under the leases, the Company may become liable for such operating expenses.

Future cash payments for rent to be received during the initial terms of the leases for the next five years and thereafter are as follows:

2015	\$2,232,226
2016	4,119,214
2017	3,030,126
2018	1,264,454
2019	671,000
2020 and Thereafter	2,183,352
	\$13,500,372

12. INCOME TAXES

The Company and its subsidiaries are subject to income taxes on income arising in, or derived from, the tax jurisdictions in which they operate. The Company is current with all its federal and state tax filings. The Company is open to examination for tax years 1998 through 2014 due to the carry back of net operating losses.

The following is a reconciliation of the federal statutory tax rate and the effective tax rate as a percentage.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Statutory Federal Income Tax Rate	34%	34%	34%	34%
Effect of Valuation Allowance on				
Deferred Tax Assets	(34)	(34)	(34)	(34)
	-	-	-	-

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The components of deferred tax assets are as follows:

	June 30, 2015	December 31, 2014
Deferred Tax Assets:		
Net Operating Loss Carry Forwards	\$ 2,895,135	\$ 2,852,373
Capital Loss Carryforward	99,137	99,137
Discount on Note Receivable	111,873	115,651
Acquisition Costs	131,482	140,840
	3,237,627	3,208,001
Deferred Tax Liabilities:		
Bargain Purchase Gain	(1,020,000)	(1,020,000)
Property and Equipment	(216,744)	(167,419)

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	(1,236,744)	(1,187,419)
Valuation Allowance	(2,000,883)	(2,020,582)
Net Deferred Tax Asset	\$ -	\$ -

The valuation allowance at June 30, 2015 and December 31, 2014 was primarily related to federal net operating loss carryforwards that, in the judgment of management, are not more-likely-than-not to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment. In order to fully realize the deferred tax asset, the Company will need to generate future taxable income of approximately \$8,383,000 prior to the expiration of the net operating loss carryforwards beginning in 2018. Taxable loss for the six month period ended June 30, 2015 approximated \$285,000. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more-likely-than-not that the Company will not realize the benefits of these deductible differences, net of the existing valuation allowance at June 30, 2015.

When more than a 50% change in ownership occurs, over a three-year period, as defined, the Tax Reform Act of 1986 limits the utilization of net operating loss carry forwards in the years following the change in ownership. No determination has been made as of June 30, 2015, as to what implications, if any, there will be in the net operating loss carry forwards of the Company.

13. FAIR VALUE MEASUREMENTS

Financial accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs have the highest priority, and Level 3 inputs have the lowest priority. In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. When this happens, the level in the fair value hierarchy that the asset or liability falls under is based on the lowest input level that is significant to the fair value measurement in its entirety.

Level 1 Inputs - Fair values are based on quoted prices (unadjusted) in active markets for identical assets that the Company has the ability to access at the measurement date.

Level 2 Inputs - Fair values are based on inputs other than quoted prices included within Level 1 that are observable for valuing the asset or liability, either directly or indirectly (i.e. interest rate and yield curves observable at commonly quoted intervals, default rates, etc.). Observable inputs include quoted prices for similar assets or liabilities in active or non-active markets. Level 2 inputs may also include insignificant adjustments to market observable inputs.

Level 3 Inputs - Fair values are based on unobservable inputs used for valuing the asset or liability. Unobservable inputs are those that reflect the Company's own assumptions about the assumptions that market participants would use

in pricing the asset or liability, based on the best information available in the circumstances.

We generally determine or calculate the fair value of financial instruments using quoted market prices in active markets when such information is available or using appropriate present value or other valuation techniques, such as discounted cash flow analyses, incorporating available market discount rate information for similar types of instruments and our estimates for non-performance and liquidity risk. These techniques are significantly affected by the assumptions used, including the discount rate, credit spreads, and estimates of future cash flow.

Our consolidated balance sheets include the following financial instruments: cash and cash equivalents, advances to related parties, notes receivable, restricted cash, accounts payable, debt and lease security deposits. We consider the carrying values of our short-term financial instruments to approximate fair value because they generally expose the Company to limited credit risk, because of the short period of time between origination of the financial assets and liabilities and their expected settlement, or because of their proximity to acquisition date fair values. The carrying value of debt approximates fair value based on borrowing rates currently available for debt of similar terms and maturities.

Upon acquisition of real estate properties, the Company determines the total purchase price of each property and allocates this price base on the fair value of the tangible assets and intangible assets, if any, acquired and any liabilities assumed based on Level 3 inputs. These Level 3 inputs can include comparable sales values, discount rates, and capitalization rates assumptions from a third party appraisal or other market sources.

14. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Supplemental cash flow information for the six months ended June 30 follows:

	2015	2014
Acquisition of Membership Interests		
in Exchange for Common Stock	\$232,574	\$112,500
Distribution of Common Stock to Noncontrolling Interest	20,739	-
Notes Payable and Accrued Interest		
Converted to Common Stock	-	153,432
Conversion of Series D Preferred Stock		
to Common Stock	-	325,000
Common Stock Issued to an Employee at Fair Value	-	45,115
Cashless Exercise of Warrants to Purchase Common Stock	5,245	
Dividends Declared on Common Stock	219,158	-
Noncash Net Assets Acquired		
Upon Acquisition of Properties	-	5,874,165

15. SUBSEQUENT EVENTS

In July 2015, we issued an aggregate of 17,442 shares of common stock to each of our two newly appointed directors in payment of their semi-annual retainer under the previously approved Director Compensation Plan.

On July 31, 2015, we paid a cash dividend to all holders of our common stock on July 22, 2015, the record date, in the amount of \$0.01 per share.

Subsequent to June 30, 2015, a single purpose limited liability company formed by the Company for that purpose, TNH Acquisition, LLC, entered into a definitive Stock Purchase Agreement for the purchase of a skilled nursing facility consisting of 112 licensed beds in two buildings located in Ridgeway, South Carolina. The purchase price for the facility is \$3.0 million. Consummation of the transaction is subject to numerous conditions customary to transactions of this nature, which is scheduled to close on or before September 30, 2015, which date may be extended to October 31, 2015.

ITEM 2 . MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following “Management’s Discussion and Analysis of Financial Condition and Results of Operations” should be read in conjunction with our interim financial statements and notes thereto contained elsewhere in this report. This section contains forward-looking statements, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based. These forward-looking statements generally are identified by the words “believes,” “project,” “expects,” “anticipates,” “estimate,” “intends,” “strategy,” “plan,” “may,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the SEC.

Our actual future results and trends may differ materially from expectations depending on a variety of factors discussed in our filings with the SEC. These factors include without limitation:

- Macroeconomic conditions, such as a prolonged period of weak economic growth, and volatility in capital markets;
- changes in national and local economic conditions in the real estate and healthcare markets specifically;
- legislative and regulatory changes impacting the healthcare industry, including the implementation of the healthcare reform legislation enacted in 2010;
- the availability of debt and equity capital;
- changes in interest rates;
- competition in the real estate industry; and,
- the supply and demand for operating properties in our market areas.

Overview

Global Healthcare REIT, Inc. (“Global” or “we” or the “Company”) was organized for the purpose of investing in real estate related to the long-term care industry.

We plan to elect to be treated as a real estate investment trust (REIT) in the future; however, we did not make that election for the 2014 fiscal year.

The Company invests primarily in real estate serving the healthcare industry in the United States. We acquire, develop, lease, manage and dispose of healthcare real estate. Our portfolio will be comprised of investments in the following five healthcare segments: (i) senior housing, (ii) life science, (iii) medical office, (iv) post-acute/skilled nursing and (v) hospital. We will make investments within our healthcare segments using the following five investment products: (i) properties under lease, (ii) mortgage debt investments, (iii) developments and redevelopments, (iv) investment management and (v) RIDEA, which represents investments in senior housing operations utilizing the structure permitted by the Housing and Economic Recovery Act of 2008.

The delivery of healthcare services requires real estate and, as a result, tenants and operators depend on real estate, in part, to maintain and grow their businesses. We believe that the healthcare real estate market provides investment opportunities due to the following:

Compelling demographics driving the demand for healthcare services;

Specialized nature of healthcare real estate investing; and

Ongoing consolidation of a fragmented healthcare real estate sector.

Acquisitions

We did not acquire any properties during the six month period ended June 30, 2015. A summary of our properties acquired during the six month period ended June 30, 2014 follows:

Date Acquired	Property Name	Location	Purchase Price	Debt Assumed ⁽²⁾
January 27, 2014	Scottsburg Healthcare Center	Scottsburg, Indiana	\$112,500	(1) \$3,480,000
February 7, 2014	Southern Hills Retirement Center	Tulsa, Oklahoma	2,000,000	–
May 19, 2014	Goodwill Nursing Home	Macon, Georgia	800,000	4,813,346

(1) The purchase price for this property included the issuance of 150,000 shares of the Company's common stock valued at \$112,500.

(2) Does not include new financing in the form of unsecured subordinated debt.

Dispositions

Effective March 10, 2014, the Company sold its 100% interest in Scottsburg Healthcare Center. The purchaser was 1350 N. Todd Drive, LLC, an Indiana limited liability company, under a Purchase Agreement originally dated October 9, 2008, as amended and assigned. The sales price was \$3.6 million, subject to closing adjustments.

Properties

As of June 30, 2015, we owned nine long-term care facilities. The following table provides summary information regarding these facilities.

Property Name	Location	Percentage Equity Ownership	Date Acquired	Gross Square Feet	Purchase Price	Outstanding Debt at June 30, 2015
Middle GA Nursing Home (a/k/a Crescent Ridge)	Eastman, GA	99.825%	3/15/2013	28,808	\$5,000,000	\$3,841,325
Warrenton Health and Rehabilitation	Warrenton, GA	100%	12/31/2013	26,894	3,500,000	2,598,052
Southern Hills Retirement Center	Tulsa, OK	100%	2/07/2014	104,192	2,000,000	6,711,865
Goodwill Nursing Home	Macon, GA	83.164% ⁽²⁾	5/19/2014	46,314	7,185,000	6,823,610
Edwards Redeemer Health & Rehab	Oklahoma City, OK	100%	9/16/2014	31,939	3,142,233	2,257,865
Providence of Sparta Nursing Home	Sparta, GA	98.587% ⁽³⁾	9/16/2014	19,441	2,836,930	2,752,010
Providence of Greene Point	Union Point, GA	100%	9/16/2014	26,948	2,948,253	2,827,175

Healthcare
Center

Meadowview
Healthcare

Center	Seville, OH	100%	9/30/2014	27,500	3,000,000	3,200,000
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Golden Years
Manor

Nursing Home	Lonoke, AR	75.5%	9/16/2014	40,737	6,742,767	6,374,245
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Property Name	Annual Lease Revenue	Operating Lease Expiration
Middle Georgia Nursing Home (a/k/a Crescent Ridge)	\$570,000	6/30/2017
Warrenton Health and Rehabilitation	334,448	6/30/2016 ⁽⁴⁾
Southern Hills Retirement Center ⁽¹⁾	660,000	3/31/2019
Goodwill Nursing Home	734,400	12/31/2017
Edwards Redeemer Health & Rehab	540,000	3/31/2018
Providence of Sparta Nursing Home	237,372	6/30/2016 ⁽⁴⁾
Providence of Green Point Healthcare Center	254,220	6/30/2016 ⁽⁴⁾
Meadowview Healthcare Center	361,000	10/31/2024
Golden Years Manor Nursing Home	763,000	5/31/2017

(1) Southern Hills Retirement Center consists of a skilled nursing facility (SNF), assisted living facility (ALF) and independent living facility (ILF) under separate lease agreements. Lease revenues for the SNF and ALF began in February 1, 2015 and April 1, 2015, respectively. Lease revenues for the ILF are expected to commence in January 2016 as construction activities related to the facility are completed. On the date acquired, the ALF and ILF were vacant and in need of renovation. The Company obtained financing through the issuance of bonds and a mortgage loan to fund the renovation costs and to fund the acquisition of the facilities.

(2) The subordinated note on Goodwill matured on July 1, 2015. Investors in the Goodwill note are entitled to an additional 5% equity in Goodwill Hunting, LLC every six months if the note is not paid when due. The Company is negotiating with these investors to purchase their residual equity interests in exchange for shares of common stock. There can be no assurance that these negotiations will be successful.

(3) The subordinated note on Sparta matured on August 1, 2015. Investors in the Sparta note are entitled to an additional 5% equity in Providence HR, LLC every six months if the note is not paid when due. The Company is negotiating with these investors to purchase their residual equity interests in exchange for shares of common stock. There can be no assurance that these negotiations will be successful.

(4) The operating leases covering Warrenton, Sparta and Greene Pointe expire in June 2016 without renewal options. The Company is evaluating its alternatives and is confident that it will be able to relet these facilities without any business interruption.

Financings

2013 Private Offering of Common Stock

We commenced a private offering of our common stock, \$0.05 par value (“Common Stock”) on December 4, 2013 (the “Offering”). The Offering consisted of up to 7.5 million shares of Common Stock being offered on a 2,250,000 share, all-or-none, minimum (“Minimum Offering”), 7,500,000 share maximum, best efforts, basis (“Maximum Offering”) at a private offering price of \$0.75 per share.

On March 14, 2014, we completed the Final Closing of our Private Offering, having sold in the Offering an aggregate of 8,966,688 shares of common stock for gross consideration of \$6,724,998 consisting of (i) \$5,988,653 in cash, (ii) \$623,793 in Notes exchanged for common stock and (iii) a 32.5% membership interest in Scottsburg Investors, LLC exchanged for 150,000 shares. We used a portion of the proceeds from the Private Offering to repay notes payable and to acquire Warrenton.

2014 Note Offering

The Company completed a private offering of its 6.5% Senior Secured Convertible Promissory Notes (the “Notes”) on September 26, 2014 (the “Note Offering”). The Notes accrue interest at the rate of 6.5% per annum, payable quarterly, and mature on the third anniversary of the date of issue. The Notes can be called for redemption at the option of the Company at any time (i) after September 15, 2015 but prior to September 15, 2016 at an early redemption price equal to 103% of the face amount of the Notes, plus accrued and unpaid interest, or (ii) any time after September 15, 2016 but prior to September 15, 2017 at an early redemption price equal to 102% of the face amount of the Notes, plus accrued and unpaid interest. Each Note is convertible at the option of the holder into shares of common stock of the Company at a conversion price of \$1.37 per share. The Notes will automatically convert into common stock at the conversion price in the event (i) there exists a public market for the Company’s common stock, (ii) the closing price of the common stock in the principal trading market has been \$2.00 per share or higher for the preceding ten (10) trading days, and (iii) either (A) there is an effective registration statement registering for resale under the Securities Act of 1933, as amended, the conversion shares or (B) the conversion shares are eligible to be resold by non-affiliates of the Company without restriction under Rule 144 of the Securities Act.

The Notes are secured by a senior mortgage on the Meadowview Healthcare Center located in Seville, Ohio.

Results of Operations

The following discussion of the financial condition, results of operations, cash flows, and changes in our financial position should be read in conjunction with our interim consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q.

Results of Operations - Three Months Ended June 30, 2015 Compared to the Three Months Ended June 30, 2014

Rental revenues for the three month periods ended June 30, 2015 and 2014 totaled \$1,162,359 and \$311,753, respectively, an increase of \$850,606. For the three months ended June 30, 2015, we recognized rental revenues on all nine properties with the exception of our independent living facility in Tulsa, Oklahoma. Rental revenues for our Tulsa, Oklahoma independent living facility will be recognized after renovations have been completed. For the three months ended June 30, 2014, we recognized rental revenues primarily from the lease of our Eastman and Warrenton, Georgia properties.

General and administrative expenses were \$316,102 (which includes a non-recurring real property tax expense for Southern Hills in the amount of \$108,000) and \$274,336 for the three month periods ended June 30, 2015 and 2014, respectively, an increase of \$41,766. This classification primarily consisted of salaries and legal, accounting and other professional fees to comply with regulatory reporting requirements.

Depreciation expense increased \$208,591 from \$97,423 for the three months ended June 30, 2014 to \$306,014 for three months ended June 30, 2015. The increase is due to the addition of properties to our portfolio during 2014. We have not recorded depreciation expense on our independent living facility located at our Southern Hills Retirement Center which will commence once renovations have been completed and the property is placed in service.

Interest income increased \$2,029 from \$22,063 for the three months ended June 30, 2014 to \$24,092 recognized for the three months ended June 30, 2015 as a result of increased average balances outstanding related to our note receivable and notes receivable from related parties.

Interest expense increased \$509,603 from \$148,094 for the three months ended June 30, 2014 to \$654,697 for the three months ended June 30, 2015. The increase in interest expense is attributable to the increase in debt outstanding during the 2015 period compared to the 2014 period.

Results of Operations - Six Months Ended June 30, 2015 Compared to the Six Months Ended June 30, 2014

Rental revenue for the six month periods ended June 30, 2015 and 2014 totaled \$2,285,673 and \$545,032, respectively, an increase of \$1,740,641. For the six months ended June 30, 2015, we recognized rental revenues on all nine properties with the exception of our independent living facility in Tulsa, Oklahoma. Rental revenues for our independent living facility in Tulsa, Oklahoma will be recognized after renovations have been completed. For the six months ended June 30, 2014, we recognized rental revenues primarily from the lease of our Eastman, Macon and Warrenton, Georgia properties.

General and administrative expenses were \$760,468 (which includes a non-recurring real property tax expense for Southern Hills in the amount of \$108,000) and \$392,598 for the six month periods ended June 30, 2015 and 2014, respectively, an increase of \$367,870. For the six months ended June 30, 2015, general and administrative expenses includes \$158,332 of share based compensation related to restricted stock awards granted in January 2015. For the six months ended June 30, 2014, the Company recognized \$47,348 of share based compensation related to stock awards. This classification also includes salaries and legal, accounting and other professional fees to comply with regulatory reporting requirements.

We expense acquisition costs for properties when acquired. Acquisition costs for the six month periods ended June 30, 2015 and 2014 totaled \$0 and \$180,455, respectively. We did not acquire any properties during the six months ended June 30, 2015. Acquisition costs for the six month period ended June 30, 2014 related to our acquisition of Southern Hills Retirement Center, a skilled nursing facility located in Tulsa, Oklahoma. We did not incur acquisition costs related to our acquisition of the membership interests in Wood Moss, LLC, GWH Investors, LLC and Goodwill Hunting, LLC which were acquired from related parties.

On January 27, 2014, we acquired a 100% membership interest in Wood Moss, LLC which owned Scottsburg Healthcare Center in Scottsburg, Indiana. We accounted for the acquisition as a business combination under US GAAP. On March 10, 2014, Scottsburg Healthcare Center was sold for cash proceeds of \$3.4 million under a purchase agreement dated October 9, 2008, as amended and assigned. For the six months ended June 30, 2014, we recognized a loss on the sale of property and equipment of \$381,395 resulting from the disposal.

Depreciation expense increased \$442,221 from \$168,504 for the six months ended June 30, 2014 to \$610,725 for six months ended June 30, 2015. The increase is due to the addition of properties to our portfolio during 2014. We have not recorded depreciation expense on our independent living facility located at our Southern Hills Retirement Center which will commence once renovations have been completed and the property is placed in service.

Interest income increased \$11,834 from \$51,330 for the six months ended June 30, 2014 to \$63,164 recognized for the six months ended June 30, 2015 as a result of increased average balances outstanding related to our note receivable and notes receivable from related parties.

Interest expense increased \$971,235 from \$367,776 for the six months ended June 30, 2014 to \$1,339,011 for the six months ended June 30, 2015. The increase in interest expense is attributable to the increase in debt outstanding during the 2015 period compared to the 2014 period. Capitalized interest on construction in progress related to renovations at our Southern Hills Retirement Center totaled \$105,867 and \$42,254 for the six month periods ended June 30, 2015 and 2014, respectively.

Liquidity and Capital Resources

Throughout its history, the Company has experienced shortages in working capital and has relied, from time to time, upon sales of debt and equity securities to meet cash demands generated by our acquisition activities.

At June 30, 2015, the Company had cash and cash equivalents of \$968,179 on hand. Our liquidity is expected to increase from potential equity and debt offerings and decrease as net offering proceeds are expended in connection with the acquisition of properties. Our continuing short-term liquidity requirements consisting primarily of operating expenses and debt service requirements, excluding balloon payments at maturity, are expected to be achieved from rental revenues received and existing cash on hand. Our debt agreements typically have balloon payments due at maturity which are expected to be refinanced upon maturity at market terms. Our mortgage note related to our Middle Georgia Nursing Home property, with an outstanding balance approximating \$3.8 million as of June 30, 2015, matured on May 29, 2015. The Company entered into a commitment letter dated May 14, 2015 with the existing lender to refinance the debt under similar terms. On July 15, 2015, the lender extended the maturity date of the debt to August 29, 2015 at which time we expect to enter into a new mortgage note. Our restricted cash approximated \$0.5 million as of June 30, 2015 which is to be expended on construction activities and debt service associated with our Southern Hills Retirement Center.

The operating leases covering Warrenton, Goodwill and Greene Pointe expire in June 2016 without renewal options. The Company is evaluating its alternatives and is confident that successor operators will be engaged for these facilities without any business interruption.

Cash provided by operating activities was \$319,652 for the six months ended June 30, 2015 compared to cash used in operating activities of \$785,824 for the six months ended June 30, 2014. Cash flows provided by operations was primarily impacted by additional rental revenues received from our 2014 acquisitions and the absence of acquisition costs during the six months ended June 30, 2015.

Cash provided by investing activities was \$616,494 for the six month period ended June 30, 2015 compared to cash used in investing activities of \$3,910,477 for the six month period ended June 30, 2014. For the six months ended June 30, 2015, we issued a note receivable of \$250,000 to a nursing home operator, collected \$566,397 from notes receivable to related parties, and received back \$500,000 of earnest money on deposit related to a potential acquisition. In addition, there were no acquisitions of properties during the six months ended June 30, 2015 compared to the three acquisitions recorded for the same period in 2014.

Cash used in financing activities was \$501,564 for the six months ended June 30, 2015 compared to cash provided by financing activities of \$4,093,744 for the six months ended June 30, 2014. The decrease in cash flows from financing activities is primarily attributable to the completion of our private offering of common stock in March 2014 which resulted in \$2.9 million in net cash proceeds.

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As of June 30, 2015 and December 31, 2014, our debt balances consisted of the following:

	June 30, 2015	December 31, 2014
Convertible Notes Payable	\$ 3,200,000	\$ 3,200,000
Fixed-Rate Mortgage Loans	14,377,717	13,660,830
Variable-Rate Mortgage Loans	8,128,430	8,216,660
Bonds Payable, Net of Discount	5,700,000	5,700,000
Other Debt - Related Parties	5,980,000	6,910,000
	\$37,386,147	\$37,687,490

The weighted average interest rate and term of our fixed rate debt are 7.2% and 5.8 years, respectively, as of June 30, 2015. The weighted average interest rate and term of our variable rate debt are 5.9% and 13.3 years, respectively, as of June 30, 2015.

We have \$8.7 million of debt maturing during the remaining six months of 2015. While we anticipate being able to refinance all the loans at reasonable market terms upon maturity, our inability to do so may impact our financial position and results of operations. On May 14, 2015, we entered into a commitment letter with our existing lender to refinance a \$3.8 million mortgage note under similar terms. The maturity date of the mortgage note was extended to August 29, 2015 by the lender at which date we expect to enter into a new mortgage note. We expect to refinance the remaining \$4.7 mortgage loan maturing in 2015 as the associated property meets loan to value requirements currently being employed in commercial lending markets. In January 2015, the Company paid off a note payable in the amount of \$880,000 and refinanced an existing fixed-rate mortgage loan related to the Edwards Redeemer Health & Rehab facility.

The mortgage loan collateralized by the Golden Years Manor Nursing Home is 80% guaranteed by the USDA and is subject to financial covenants and customary affirmative and negative covenants. As of June 30, 2015, the Company was not in compliance with certain of these non-financial covenants which is considered to be a technical Event of Default as defined in the note agreement. Remedies available to the lender in the event of a continuing Event of Default, at its option, include, but are necessarily limited to the following (1) lender may declare the principal and all accrued interest on the note due and payable; and (2) lender may exercise additional rights and remedies under the note agreement to include taking possession of the collateral or seeking satisfaction from the guarantors. The Company has not been notified by the lender regarding the exercise of any remedies available. Guarantors under the mortgage loan are Christopher Brogdon and GLN Investors, LLC, of which the Company owns a 75% membership interest.

The Company receives the services of consultants and affiliates for which the service providers are not compensated either through cash or equity, and such costs are not currently recorded in the consolidated financial statements but are necessary for the operation of the business.

Contractual Obligations

As of June 30, 2015, we had the following contractual obligations:

	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
Notes and Bonds Payable - Principal	\$34,186,147	\$8,951,438	\$10,978,553	\$4,782,726	\$9,473,430
Notes and Bonds Payable - Interest	14,599,473	2,050,124	2,109,036	1,568,835	8,871,478
Convertible Notes Payable - Principal	3,200,000	-	3,200,000	-	-
Convertible Notes Payable - Interest	467,996	209,129	258,867	-	-
Total	\$52,453,616	\$11,210,691	\$16,546,456	\$6,351,561	\$18,344,908

Revenues from operations are sufficient to meet the working capital needs of the Company for the foreseeable future. Cash on hand, combined with revenues generated from operations, are in excess of operating expenses and debt service requirements excluding balloon payments at maturity. Our debt agreements typically include balloon payments at maturity which are expected to be refinanced at reasonable terms upon maturity. The Company anticipates a combination of conventional mortgage loans, at market rates, issuance of revenue bonds and possibly additional equity injections to fund the acquisition cost of any additional properties. Except for renovations at our Southern Hills Retirement Center, there are no capital improvement and recurring capital expenditure commitments at the properties.

Off-Balance Sheet Arrangements

We have a contingent liability for rental payments on a long-term lease related to the casino operations split-off and sold to Gemini Gaming, LLC. The total minimum rentals under this lease total \$25,362 through termination of the lease agreement in July 2015. No payments on the contingency were required.

Critical Accounting Policies

Set forth below is a summary of the accounting policies that management believes are critical to the preparation of the consolidated financial statements. Certain of these accounting policies are particularly important for an understanding of the financial position and results of operations presented in the consolidated financial statements set forth elsewhere in this report. These policies require that application of judgment and assumptions by management and, as a result, are subject to a degree of uncertainty. Actual results could differ as a result of such judgment and assumptions.

Property Acquisitions

We allocate the purchase price of acquired properties to net tangible and identified intangible assets and any liabilities based on relative fair values. Fair value estimates are based on information obtained from independent appraisals, other market data, information obtained during due diligence and information related to the marketing and leasing at the specific property. Acquisition-related costs such as due diligence, legal and accounting fees are expensed as incurred and not applied in determining the purchase price or fair value of an acquired property.

Impairment of Long Lived Assets

When circumstances indicate the carrying value of property may not be recoverable, the Company reviews the asset for impairment. This review is based on an estimate of the future undiscounted cash flows, excluding interest charges, expected to result from the property's use and eventual disposition. This estimate considers factors such as expected future operating income, market and other applicable trends and residual value, as well as the effects of leasing demand, competition and other factors. If impairment exists, due to the inability to recover the carrying amount of the property, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property. Estimated fair value is determined with the assistance from independent valuation specialists using recent sales of similar assets, market conditions and projected cash flows of properties using standard industry valuation techniques.

Goodwill

Goodwill represents the excess of the Company's purchase price over the fair values of the respective identifiable assets acquired and liabilities assumed in business combinations. Goodwill resulting from acquisitions is not amortized, but is tested for impairment annually or whenever events change and circumstances indicate that it is more likely than not that an impairment loss has occurred using specific methods described in U.S. GAAP. As allowed by U.S. GAAP, management initially performs a qualitative analysis of goodwill using qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount including goodwill. Such qualitative factors include macroeconomic conditions, industry and market considerations, cost factors, overall financial performance and other relevant entity-specific events. If after assessing the totality of events or circumstances, the Company determines through the qualitative assessment that the fair value of a reporting unit more likely than not exceeds its carrying value, no further evaluation is necessary, and performing the two-step impairment test outlined in U.S. GAAP is not required. For the six months ended June 30, 2015, there were no triggering events that required a test of impairment of goodwill.

Notes Receivable

The Company evaluates its notes receivable for impairment when it is probable the payment of interest and principal will not be made in accordance with the contractual terms of the note receivable agreement. Once a note has been determined to be impaired, it is measured to establish the amount of the impairment, if any, based on the fair value of the note determined by using present value of expected future cash flows discounted at the note's effective interest rate. If the fair value of the impaired note receivable is less than the recorded investment in the note, a valuation allowance is recognized.

Recently Issued Accounting Pronouncements

During April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-08, “Presentation of Financial Statements and Property, Plant and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.” ASU 2014-08 modifies the requirements for reporting discontinued operations. Under the amendments in ASU 2014-08, the definition of discontinued operation has been modified to only include those disposals of an entity that represent a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. ASU 2014-08 was applied prospectively for periods beginning the quarter ended March 31, 2014. The Company disposed of its Scottsburg Healthcare Center on March 10, 2014 and recognized a loss upon disposition as a component of income from continuing operations for the six months ended June 30, 2014.

In August 2014, the FASB issued ASU No. 2014-15, “Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”, which requires management to assess a company’s ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. Before this new standard, there was minimal guidance in U.S. GAAP specific to going concern. Under the new standard, disclosures are required when conditions give rise to substantial doubt about a company’s ability to continue as a going concern within one year from the financial statement issuance date. The guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, with early adoption permitted. The Company has not yet determined the impact, if any, that the adoption of this guidance will have on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs.” The new standard requires that all costs incurred to issue debt be presented in the balance sheet as a direct deduction from the carrying value of the debt. The standard is effective for interim and annual periods beginning after December 31, 2015 and is required to be applied on a retrospective basis. Early adoption is permitted. We expect that the adoption of ASU 2015-03 will not have a material effect on the Company’s financial position, results of operations or cash flows.

SUBSEQUENT EVENTS

In July 2015, we issued an aggregate of 17,442 shares of common stock to each of our two newly appointed directors in payment of their semi-annual retainer under the previously approved Director Compensation Plan.

On July 31, 2015, we paid a cash dividend to all holders of our common stock on July 22, 2015, the record date, in the amount of \$0.01 per share.

Subsequent to June 30, 2015, a single purpose limited liability company formed by the Company for that purpose, TNH Acquisition, LLC, entered into a definitive Stock Purchase Agreement for the purchase of a skilled nursing facility consisting of 112 licensed beds in two buildings located in Ridgeway, South Carolina. The purchase price for the facility is \$3.0 million. Consummation of the transaction is subject to numerous conditions customary to transactions of this nature, which is scheduled to close on or before September 30, 2015, which date may be extended to October 31, 2015.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives.

Our management, including our CEO and CFO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Report. Based on this evaluation, our CEO and CFO concluded that the design and operation of our disclosure controls and procedures were not effective as of such date to provide assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to management as appropriate, to allow timely decisions regarding disclosures.

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the quarter ended June 30, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1.

Legal Proceedings

None .

Item 1A.

Risk Factors

None, except as previously disclosed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None, except as previously disclosed.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Removed and Reserved

Item 5. Other Information

None.

Item 6. Exhibits

31 . 1 Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

31 . 2 Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

32 . Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.INS XBRL Instance Document**
101.SCH XBRL Schema Document**
101.CAL XBRL Calculation Linkbase Document**
101.LAB XBRL Label Linkbase Document**
101.PRE XBRL Presentation Linkbase Document**
101.DEF XBRL Definition Linkbase Document**

*filed herewith

**furnished, not filed

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLOBAL HEALTHCARE REIT, INC.

Date: August 14, 2015 By: /s/ Christopher Brogdon
Christopher Brogdon,
President

Date: August 14, 2015 By: /s/ Philip S. Scarborough
Philip S. Scarborough,
Chief Financial Officer