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HEALTHCARE SERVICES GROUP INC  
Form 11-K  
June 28, 2004

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 11-K

(X) ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-12015

HEALTHCARE SERVICES GROUP, INC  
RETIREMENT SAVINGS PLAN

Issuer: Healthcare Services Group, Inc.

3220 Tillman Drive - Suite 300  
Bensalem, Pennsylvania 19020  
(Principal Executive Office)

Total of 14 Pages

INDEX

	PAGE NO.
Report of Independent Registered Public Accounting Firm	2
Financial Statements:	
Statements of Net Assets Available for Benefits	3
Statements of Changes in Net Assets Available For Benefits	4
Notes to Financial Statements	5 - 9
Signatures	10
Certifications	11 - 14

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Plan Administrator:

HEALTHCARE SERVICES GROUP, INC. RETIREMENT SAVINGS PLAN

We have audited the accompanying statements of net assets available for benefits of Healthcare Services Group, Inc. Retirement Savings Plan (the "Plan") as of December 31, 2003 and 2002, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2003 and 2002, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP

New York, New York  
June 8, 2004

2

HEALTHCARE SERVICES GROUP, INC.  
RETIREMENT SAVINGS PLAN  
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
DECEMBER 31,

	2003	2002
	-----	-----
Assets		
Investments at fair value	\$ 1,029,201	\$ 671,010
Non-interest bearing cash		1,411
Receivables		
Participant contributions	2,081	12,862

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Net Investments Available for Benefits	\$ 1,031,282	\$ 685,283
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

3

HEALTHCARE SERVICES GROUP, INC.  
 RETIREMENT SAVINGS PLAN  
 STATEMENTS OF CHANGES IN NET ASSETS  
 AVAILABLE FOR BENEFITS  
 DECEMBER 31,

	2003	2002
	-----	-----
Additions:		
Participant contributions	\$ 282,585	\$ 303,125
Investment income:		
Interest	43	15
Dividends	4,760	1,925
Net appreciation (depreciation) in fair value of investments	112,438	(67,336)
	-----	-----
	117,241	(65,396)
	-----	-----
Total Additions	399,826	237,729
Deductions:		
Participant withdrawals	(53,827)	(29,648)
	-----	-----
NET INCREASE	345,999	208,081
Net assets available for benefits, beginning	685,283	477,202
	-----	-----
Net assets available for benefits, ending	\$ 1,031,282	\$ 685,283
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

HEALTHCARE SERVICES GROUP, INC.  
RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

NOTE A. - DESCRIPTION OF PLAN

The following description of the Healthcare Services Group, Inc. Retirement Savings Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

1. General

The Plan commenced October 1, 1999 and is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). The Plan is a defined contribution plan covering all employees provided they are salaried employees who have one year of service (1,000 hours) and have attained the age of twenty-one or older with the exception of highly compensated employees, as defined by the Plan, or employees whose employment is governed by a collective bargaining agreement.

The Plan was amended in 2002 to reflect and comply with certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). This amendment is effective for the plan year beginning after December 31, 2001.

2. Contributions

Each year, participants may contribute up to 15% of their pretax annual compensation as defined in the Plan. There are no employer-matching contributions as defined in the Plan. A participant may elect to commence salary reductions as of the first day of the month coinciding with the date the employee satisfied the eligibility requirements.

Participants may also rollover to the plan amounts representing distributions from other qualified defined benefit or defined contribution plans. Participants direct the investment of their contributions into various options offered by the Plan.

Contributions are subject to certain limitations.

3. Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of Plan earnings. Allocations are determined by the participant. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

HEALTHCARE SERVICES GROUP, INC.  
RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

NOTE A. (continued)

4. Vesting  
Participants are vested immediately in their contributions plus actual earnings thereon.
5. Administrative Expenses  
All administrative expenses were paid by the plan sponsor, Healthcare Services Group, Inc., although, under the plan document, the plan sponsor is not responsible for administrative expenses.
6. Payments of Benefits  
On termination of service due to death or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account or monthly, quarterly, semi-monthly or annual installments. No disability benefits, other than those payable upon termination of employment, are provided in the Plan. For termination of service for other reasons, a participant may receive the value of the vested interest in his or her account as a lump sum distribution.

NOTE B. - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

1. Use of Estimates  
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

6

HEALTHCARE SERVICES GROUP, INC.  
RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

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NOTE B. (continued)

2. Investment Valuation and Income Recognition  
The Plan's investments are stated at fair value, which approximates market value, as reported to the Plan by PNC Bank. Quoted market prices are used to value investments. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year-end. Purchases and sales of securities are recorded on a trade-date basis.
  
3. Participants' Withdrawals  
Participants' withdrawals are recorded when paid.

NOTE C. - INVESTMENTS

The following presents investments that represent 5 percent or more of the Plan's net assets as of:

	December 31,	
	2003	2002
Fidelity Advisor Equity Growth	\$ 55,260	\$ 35,925
Fidelity Advisor Equity Income Fund	61,586	--
INVESCO Technology Fund (Class K)	56,658	--
Janus Advisor Capital Appreciation Fund	103,488	80,537
Janus Advisor Growth Fund	72,950	44,353
Black Rock Money Market	421,367	354,922
	-----	-----
	\$ 771,309	\$ 515,737
	=====	=====

7

HEALTHCARE SERVICES GROUP, INC.  
RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

NOTE C. (continued)

During 2003 and 2002, the Plan's investments (including realized and unrealized gains and losses) appreciated/(depreciated) in value by \$112,438 and \$(67,336), respectively as follows:

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	December 31,	
	----- 2003	----- 2002
Mutual Funds	\$ 98,588	\$ (72,000)
Healthcare Services Group, Inc. common stock	12,155	1,000
Money Market Fund	1,695	3,000
	-----	-----
	\$ 112,438	\$ (67,000)
	=====	=====

NOTE D. - PLAN TERMINATION

Although it has not expressed intent to do so, the Company has the right under the Plan to terminate the Plan at any time subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

NOTE E. - RELATED PARTY TRANSACTIONS

Certain Plan investments are shares of a money market fund managed by PNC Financial Services Group ("PNC"). PNC is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.

In addition, certain plan investments are shares of the Healthcare Services Group, Inc. common stock. Healthcare Services Group, Inc. is the Plan sponsor as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. The Plan holds 2,322.741 and 1,504.851 shares of Healthcare Services Group, Inc. common stock with a quoted market value of \$44,666 and \$19,623 at December 31, 2003 and 2002, respectively.

8

HEALTHCARE SERVICES GROUP, INC.  
RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

NOTE F. - TAX STATUS OF PLAN

The Internal Revenue Service has determined and informed the Company by a letter dated March 7, 2001, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code ("IRC").

The Plan has been amended since receiving the determination letter (Note A). However, the Plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision

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for income taxes has been included in the Plan's financial statements.

NOTE G. - RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

9

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

Healthcare Services Group, Inc.  
Retirement Savings Plan

Date: June 28, 2004

/s/ James L. DiStefano

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By: James L. DiStefano  
Title: Chairman of Plan Committee

10