

Edgar Filing: Education Realty Trust, Inc. - Form 10-Q

Education Realty Trust, Inc.

Form 10-Q

August 05, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

or

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

For the transition period from to

Commission file number 001-32417

Education Realty Trust, Inc.

Education Realty Operating Partnership, LP

(Exact Name of Registrant as Specified in Its Charter)

Maryland

20-1352180

Delaware

20-1352332

(State or Other Jurisdiction of

(IRS Employer

Incorporation or Organization)

Identification No.)

999 South Shady Grove Road, Suite 600

38120

Memphis, Tennessee

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code (901) 259-2500

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Education Realty Trust, Inc. Yes ☒ No ☐

Education Realty Operating Partnership, LP Yes ☒ No ☐

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

Education Realty Trust, Inc. Yes ☒ No ☐

Education Realty Operating Partnership, LP Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Education Realty Trust, Inc.

Large accelerated filer ☒

Accelerated filer ☐

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Non-accelerated filer ☐  
(Do not check if a smaller reporting company)

Smaller reporting company ☐

Education Realty Operating Partnership, LP

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

Education Realty Trust, Inc. Yes ☐ No ☒

Education Realty Operating Partnership, LP Yes ☐ No ☒

As of August 3, 2015, Education Realty Trust, Inc. had 48,366,709 shares of common stock outstanding.

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## EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the quarterly period ended June 30, 2015 of Education Realty Trust, Inc. and Education Realty Operating Partnership, LP. Unless stated otherwise or the context otherwise requires, references to "EdR" mean only Education Realty Trust, Inc., a Maryland corporation, and references to "EROP" mean only Education Realty Operating Partnership, LP, a Delaware limited partnership. References to the "Trust," "we," "us," or "our" mean collectively EdR, EROP and those entities/subsidiaries owned or controlled by EdR and/or EROP. References to the "Operating Partnership" mean collectively EROP and those entities/subsidiaries owned or controlled by EROP. The following chart illustrates our corporate structure:

The general partner of EROP is Education Realty OP GP, Inc. (the "OP GP"), an entity that is indirectly wholly-owned by EdR. As of June 30, 2015, OP GP held an ownership interest in EROP of less than 1%. The limited partners of EROP are Education Realty OP Limited Partner Trust, a wholly-owned subsidiary of EdR, and other limited partners consisting of current and former members of management. The OP GP, as the sole general partner of EROP, has the responsibility and discretion in the management and control of the Operating Partnership, and the limited partners of EROP, in such capacity, have no authority to transact business for, or participate in the management activities of the Operating Partnership. Management operates EdR and the Operating Partnership as one business. The management of EdR consists of the same members as the management of the Operating Partnership.

The Trust is structured as an umbrella partnership real estate investment trust ("UPREIT") and EdR contributes all net proceeds from its various equity offerings to the Operating Partnership. In return for those contributions, EdR receives an equal number of partnership units of EROP (the "OP Units"). Contributions of properties to the Trust can be structured as tax-deferred transactions through the issuance of OP Units. Holders of OP Units may tender their OP Units for redemption by the Operating Partnership in exchange for cash equal to the market price of EdR's common stock at the time of redemption or, at EdR's option, for shares of EdR's common stock. Pursuant to the partnership agreement of EROP, the number of shares to be issued upon the redemption of OP Units is equal to the number of OP Units being redeemed. Additionally, for every one share of common stock offered and sold by EdR for cash, EdR must contribute the net proceeds to EROP and, in return, EROP will issue one OP Unit to EdR.

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The Trust believes that combining the quarterly reports on Form 10-Q of EdR and the Operating Partnership into this single report provides the following benefits:

- enhances investors' understanding of the Trust by enabling investors to view the business of EdR and the Operating Partnership as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both EdR and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

EdR consolidates the Operating Partnership for financial reporting purposes, and EdR essentially has no assets or liabilities other than its investment in the Operating Partnership. Therefore, the assets and liabilities of EdR and the Operating Partnership are the same on their respective financial statements. However, the Trust believes it is important to understand the few differences between EdR and the Operating Partnership in the context of how the entities operate as a consolidated company. All of the Trust's property ownership, development and related business operations are conducted through the Operating Partnership. EdR also issues public equity from time to time and guarantees certain debt of EROP. EdR does not have any indebtedness, as all debt is incurred by the Operating Partnership. The Operating Partnership holds all of the assets of the Trust, including the Trust's ownership interests in its joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from EdR's equity offerings, which are contributed to the capital of EROP in exchange for OP Units on the basis of one share of common stock for one OP Unit, the Operating Partnership generates all remaining capital required by the Trust's business, including as a result of the incurrence of indebtedness. These sources include, but are not limited to, the Operating Partnership's working capital, net cash provided by operating activities, borrowings under its credit facilities, proceeds from mortgage indebtedness and debt issuances, and proceeds received from the disposition of certain properties. Noncontrolling interests, stockholders' equity, and partners' capital are the main areas of difference between the condensed consolidated financial statements of the Trust and those of the Operating Partnership. The noncontrolling interests in the Operating Partnership's financial statements consist of the interests of unaffiliated partners in various consolidated joint ventures. The noncontrolling interests in the Trust's financial statements include the same noncontrolling interests at the Operating Partnership level. The differences between stockholders' equity and partners' capital result from differences in the type of equity issued by EdR and the Operating Partnership.

To help investors understand the significant differences between the Trust and the Operating Partnership, this report provides separate condensed consolidated financial statements for the Trust and the Operating Partnership. A single set of consolidated notes to such financial statements is presented that includes separate discussions for the Trust and the Operating Partnership when applicable (for example, noncontrolling interests, stockholders' equity or partners' capital, earnings per share or unit, etc.). A combined Management's Discussion and Analysis of Financial Condition and Results of Operations section is also included that presents discrete information related to each entity, as applicable.

In order to highlight the differences between the Trust and the Operating Partnership, the separate sections in this report for the Trust and the Operating Partnership specifically refer to the Trust and the Operating Partnership. In the sections that combine disclosure of the Trust and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Trust. Although the Operating Partnership is generally the entity that directly or indirectly enters into contracts and joint ventures and holds assets and debt, reference to the Trust is appropriate because the Trust operates its business through the Operating Partnership. The separate discussions of the Trust and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Trust on a consolidated basis and how management operates the Trust.

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Education Realty Trust, Inc.  
Education Realty Operating Partnership, LP  
Form 10-Q  
For the Quarter Ended June 30, 2015  
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# PART I - Financial Information

## Item 1. Financial Statements.

### EDUCATION REALTY TRUST, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share data)

(Unaudited)

	June 30, 2015	December 31, 2014
<b>Assets:</b>		
Collegiate housing properties, net	\$1,572,254	\$1,586,009
Assets under development	214,125	120,702
Cash and cash equivalents	17,082	18,385
Restricted cash	13,088	10,342
Other assets	72,695	76,199
Total assets	\$1,889,244	\$1,811,637
<b>Liabilities:</b>		
Mortgage and construction loans, net of unamortized premium	\$224,689	\$249,637
Unsecured revolving credit facility	138,000	24,000
Unsecured term loans	187,500	187,500
Senior unsecured notes	250,000	250,000
Accounts payable and accrued expenses	83,317	76,869
Deferred revenue	11,495	17,301
Total liabilities	895,001	805,307
Commitments and contingencies (see Note 7)	—	—
Redeemable noncontrolling interests	12,261	14,512
<b>Equity:</b>		
Common stock, \$0.01 par value per share, 200,000,000 shares authorized, 48,350,313 and 47,999,427 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	483	480
Preferred shares, \$0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding	—	—
Additional paid-in capital	1,013,878	1,034,683
Accumulated deficit	(32,051)	(41,909)
Accumulated other comprehensive loss	(4,813)	(4,465)
Total Education Realty Trust, Inc. stockholders' equity	977,497	988,789
Noncontrolling interests	4,485	3,029
Total equity	981,982	991,818
Total liabilities and equity	\$1,889,244	\$1,811,637

See accompanying notes to the condensed consolidated financial statements.



EDUCATION REALTY TRUST, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Amounts in thousands, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Collegiate housing leasing revenue	\$53,734	\$46,309	\$114,117	\$97,020
Third-party development consulting services	444	757	1,041	1,559
Third-party management services	780	786	1,833	1,804
Operating expense reimbursements	2,366	2,188	4,462	4,202
Total revenues	57,324	50,040	121,453	104,585
Operating expenses:				
Collegiate housing leasing operations	22,868	20,975	47,008	43,143
Development and management services	2,507	2,282	5,209	4,623
General and administrative	2,559	1,984	5,198	4,102
Depreciation and amortization	15,911	14,458	31,777	28,241
Ground lease expense	2,170	1,934	5,018	3,833
Loss on impairment of collegiate housing properties	—	9,870	—	11,780
Reimbursable operating expenses	2,366	2,188	4,462	4,202
Total operating expenses	48,381	53,691	98,672	99,924
Operating income (loss)	8,943	(3,651)	22,781	4,661
Nonoperating (income) expenses:				
Interest expense	5,451	4,967	11,392	10,568
Amortization of deferred financing costs	491	514	1,007	1,017
Interest income	(67)	(41)	(105)	(111)
Loss on extinguishment of debt	—	—	—	649
Total nonoperating expenses	5,875	5,440	12,294	12,123
Income (loss) before equity in losses of unconsolidated entities, income taxes and gain on sale of collegiate housing properties	3,068	(9,091)	10,487	(7,462)
Equity in losses of unconsolidated entities	(202)	(112)	(396)	(134)
Income (loss) before income taxes and gain on sale of collegiate housing properties	2,866	(9,203)	10,091	(7,596)
Income tax expense (benefit)	90	(357)	168	(312)
Income (loss) before gain on sale of collegiate housing properties	2,776	(8,846)	9,923	(7,284)
Gain on sale of collegiate housing properties	—	—	—	10,902
Net income (loss)	2,776	(8,846)	9,923	3,618
Less: Net income (loss) attributable to the noncontrolling interests	(141)	(38)	65	360
Net income (loss) attributable to Education Realty Trust, Inc.	\$2,917	\$(8,808)	\$9,858	\$3,258

See accompanying notes to the condensed consolidated financial statements.





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	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Comprehensive income (loss):				
Net income (loss)	\$2,776	\$(8,846)	) \$9,923	\$3,618
Other comprehensive income (loss):				
Gain (loss) on cash flow hedging derivatives	2,091	(2,394)	) (348)	) (3,757)
Comprehensive income (loss)	\$4,867	\$(11,240)	) \$9,575	\$(139)
Less: comprehensive income (loss) attributable to the noncontrolling interests	(141)	) (38)	) 65	360
Comprehensive income (loss) attributable to Education Realty Trust, Inc.	\$5,008	\$(11,202)	) \$9,510	\$(499)
Earnings per share information:				
Net income (loss) attributable to Education Realty Trust, Inc. common stockholders per share – basic and diluted	\$0.06	\$(0.23)	) \$0.20	\$0.08
Distributions per share of common stock	\$0.36	\$0.33	\$0.72	\$0.66
Weighted average common shares outstanding:				
Weighted average common shares outstanding – basic	48,514	38,886	48,345	38,611
Weighted average common shares outstanding – diluted	48,832	38,886	48,665	38,957

See accompanying notes to the condensed consolidated financial statements.

EDUCATION REALTY TRUST, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in thousands, except shares)

(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss		Noncontrolling Interests	Total
	Shares	Amount						
Balance, December 31, 2013	38,246,718	\$383	\$814,305	\$ (88,964 )	\$ —		\$ 4,245	\$729,969
Proceeds from issuance of common stock, net of offering costs	8,167,243	82	239,386	—	—		—	239,468
Amortization of restricted stock and long-term incentive plan awards	51,773	—	89	—	—		—	89
Common stock issued to officers and directors	13,384	—	420	—	—		—	420
Cash dividends	—	—	(25,304 )	—	—		—	(25,304 )
Return of equity to noncontrolling interests	—	—	—	—	—		(525 )	(525 )
Purchase of noncontrolling interests	—	—	(151 )	—	—		(607 )	(758 )
Comprehensive income (loss)	—	—	—	3,258	(3,757 )		205	(294 )
Balance, June 30, 2014	46,479,118	\$465	\$1,028,745	\$ (85,706 )	\$ (3,757 )		\$ 3,318	\$943,065
Balance, December 31, 2014	47,999,427	\$480	\$1,034,683	\$ (41,909 )	\$ (4,465 )		\$ 3,029	\$991,818
Common stock issued to officers and directors	12,300	—	408	—	—		—	408
Issuances of common stock, net of offering costs	331,395	3	11,564		—		—	11,567
Amortization of restricted stock and long-term incentive plan awards	7,191		855		—		—	855
Cash dividends	—	—	(34,706 )	—	—		(152 )	(34,858 )
Contributions from noncontrolling interests	—	—	—	—	—		1,667	1,667
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	1,074	—	—		—	1,074
Comprehensive income (loss)	—	—	—	9,858	(348 )		(59 )	9,451
Balance, June 30, 2015	48,350,313	\$483	\$1,013,878	\$ (32,051 )	\$ (4,813 )		\$ 4,485	\$981,982

See accompanying notes to the condensed consolidated financial statements.



EDUCATION REALTY TRUST, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	Six Months Ended June 30,	
	2015	2014
Operating activities:		
Net income	\$9,923	\$3,618
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,777	28,241
Loss on disposal of assets	—	54
Gain on sale of collegiate housing property	—	(10,902)
Noncash rent expense related to the straight-line adjustment for long-term ground leases	2,401	2,425
Loss on impairment of collegiate housing properties	—	11,780
Loss on extinguishment of debt	—	649
Amortization of deferred financing costs	1,007	1,017
Amortization of unamortized debt premiums	(419)	(392)
Distributions of earnings from unconsolidated entities	89	23
Noncash compensation expense related to stock-based incentive awards	1,319	1,046
Equity in losses of unconsolidated entities	396	134
Change in operating assets and liabilities (net of acquisitions)	(848)	(1,033)
Net cash provided by operating activities	45,645	36,660
Investing activities:		
Property acquisitions	(9,367)	—
Purchase of corporate assets	(447)	(436)
Restricted cash	(2,746)	(1,816)
Insurance proceeds received on property losses	—	2,092
Investment in collegiate housing properties	(7,063)	(9,438)
Proceeds from sale of collegiate housing properties	—	40,007
Notes receivable	(2,257)	(250)
Earnest money deposits	(1,327)	(250)
Investment in assets under development	(90,280)	(117,120)
Distributions from unconsolidated entities	692	—
Investments in unconsolidated entities	(391)	(6,077)
Net cash used in investing activities	(113,186)	(93,288)

See accompanying notes to the condensed consolidated financial statements.

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	Six Months Ended June 30,	
	2015	2014
Financing activities:		
Payment of mortgage and construction notes	(67,011	) (69,930
Borrowings under mortgage and construction loans	42,481	8,813
Borrowings on unsecured term loan	—	187,500
Debt issuance costs	(48	) (1,658
Debt extinguishment costs	—	(356
Borrowings on line of credit	116,000	169,000
Repayments of line of credit	(2,000	) (459,900
Proceeds from issuance of common stock	10,660	239,921
Payment of offering costs	(99	) (53
Purchase and return of equity to noncontrolling interests	—	(1,301
Contributions from noncontrolling interests	1,691	—
Dividends and distributions paid to common and restricted stockholders	(34,706	) (25,304
Dividends and distributions paid to noncontrolling interests	(517	) (246
Repurchases of common stock for payments of restricted stock tax withholding	(213	) (769
Net cash provided by financing activities	66,238	45,717
Net decrease in cash and cash equivalents	(1,303	) (10,911
Cash and cash equivalents, beginning of period	18,385	22,073
Cash and cash equivalents, end of period	\$17,082	\$11,162
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$8,452	\$13,557
Income taxes paid	\$—	\$46
Supplemental disclosure of noncash activities:		
Redemption of redeemable noncontrolling interests from unit holder	\$960	\$—
Capital expenditures in accounts payable and accrued expenses related to developments	\$21,463	\$14,959

See accompanying notes to the condensed consolidated financial statements.

EDUCATION REALTY OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except unit data)

(Unaudited)

	June 30, 2015	December 31, 2014
Assets:		
Collegiate housing properties, net	\$1,572,254	\$1,586,009
Assets under development	214,125	120,702
Cash and cash equivalents	17,082	18,385
Restricted cash	13,088	10,342
Other assets	72,695	76,199
Total assets	\$1,889,244	\$1,811,637
Liabilities:		
Mortgage and construction loans, net of unamortized premium	\$224,689	\$249,637
Unsecured revolving credit facility	138,000	24,000
Unsecured term loans	187,500	187,500
Senior unsecured notes	250,000	250,000
Accounts payable and accrued expenses	83,317	76,869
Deferred revenue	11,495	17,301
Total liabilities	895,001	805,307
Commitments and contingencies (see Note 7)	—	—
Redeemable limited partner units	7,958	10,081
Redeemable noncontrolling interests	4,303	4,431
Partners' capital:		
General partner - 6,920 units outstanding as of June 30, 2015 and December 31, 2014, respectively	188	191
Limited partners - 48,343,393 and 47,992,507 units issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	982,122	993,063
Accumulated other comprehensive loss	(4,813	) (4,465
Total partners' capital	977,497	988,789
Noncontrolling interests	4,485	3,029
Total partners' capital	981,982	991,818
Total liabilities and partners' capital	\$1,889,244	\$1,811,637

See accompanying notes to the condensed consolidated financial statements.

EDUCATION REALTY OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Amounts in thousands, except per unit data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Collegiate housing leasing revenue	\$53,734	\$46,309	\$114,117	\$97,020
Third-party development consulting services	444	757	1,041	1,559
Third-party management services	780	786	1,833	1,804
Operating expense reimbursements	2,366	2,188	4,462	4,202
Total revenues	57,324	50,040	121,453	104,585
Operating expenses:				
Collegiate housing leasing operations	22,868	20,975	47,008	43,143
Development and management services	2,507	2,282	5,209	4,623
General and administrative	2,559	1,984	5,198	4,102
Depreciation and amortization	15,911	14,458	31,777	28,241
Ground lease expense	2,170	1,934	5,018	3,833
Loss on impairment of collegiate housing properties	—	9,870	—	11,780
Reimbursable operating expenses	2,366	2,188	4,462	4,202
Total operating expenses	48,381	53,691	98,672	99,924
Operating income (loss)	8,943	(3,651)	22,781	4,661
Nonoperating (income) expenses:				
Interest expense	5,451	4,967	11,392	10,568
Amortization of deferred financing costs	491	514	1,007	1,017
Interest income	(67)	(41)	(105)	(111)
Loss on extinguishment of debt	—	—	—	649
Total nonoperating expenses	5,875	5,440	12,294	12,123
Income (loss) before equity in losses of unconsolidated entities, income taxes and gain on sale of collegiate housing properties	3,068	(9,091)	10,487	(7,462)
Equity in losses of unconsolidated entities	(202)	(112)	(396)	(134)
Income (loss) before income taxes and gain on sale of collegiate housing properties	2,866	(9,203)	10,091	(7,596)
Income tax expense (benefit)	90	(357)	168	(312)
Income (loss) before gain on sale of collegiate housing properties	2,776	(8,846)	9,923	(7,284)
Gain on sale of collegiate housing properties	—	—	—	10,902
Net income (loss)	2,776	(8,846)	9,923	3,618
Less: Net income (loss) attributable to the noncontrolling interests	(152)	(59)	14	239
Net income (loss) attributable to Education Realty Operating Partnership	\$2,928	\$(8,787)	\$9,909	\$3,379



See accompanying notes to the condensed consolidated financial statements.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Comprehensive income (loss):				
Net income (loss)	\$2,776	\$(8,846)	) \$9,923	\$3,618
Other comprehensive income (loss):				
Gain (loss) on cash flow hedging derivatives	2,091	(2,394)	) (348	) (3,757
Comprehensive income (loss)	4,867	(11,240)	) 9,575	(139
Less: Comprehensive income (loss) attributable to the noncontrolling interests	(152)	) (59	) 14	239
Comprehensive income (loss) attributable to unitholders	\$5,019	\$(11,181)	) \$9,561	\$(378
Earnings per unit information:				
Net income (loss) attributable to unitholders - basic and diluted	\$0.06	\$(0.22)	) \$0.20	\$0.09
Weighted average units outstanding:				
Weighted average units outstanding – basic	48,763	39,163	48,596	38,888
Weighted average units outstanding – diluted	48,832	39,163	48,665	38,957

See accompanying notes to the condensed consolidated financial statements.

EDUCATION REALTY OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL AND  
 NONCONTROLLING INTERESTS

(Amounts in thousands, except units)

(Unaudited)

	General Partner		Limited Partners		Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Units	Amount	Units	Amount			
Balance, December 31, 2013	6,920	\$ 190	38,239,798	\$ 725,534	\$ —	\$ 4,245	\$ 729,969
Vesting of restricted stock and restricted stock units	—	—	13,384	420	—	—	420
Issuance of units in exchange for contributions of equity offering proceeds and redemption of units	—	—	8,167,243	239,468	—	—	239,468
Amortization of restricted stock and long-term incentive plan awards	—	—	51,773	89	—	—	89
Distributions	—	(5 )	—	(25,299 )	—	—	(25,304 )
Return of equity to noncontrolling interests	—	—	—	—	—	(525 )	(525 )
Purchase of noncontrolling interests	—	—	—	(151 )	—	(607 )	(758 )
Comprehensive income (loss)	—	8	—	3,250	(3,757 )	205	(294 )
Balance, June 30, 2014	6,920	\$ 193	46,472,198	\$ 943,311	\$ (3,757 )	\$ 3,318	\$ 943,065
Balance, December 31, 2014	6,920	\$ 191	47,992,507	\$ 993,063	\$ (4,465 )	\$ 3,029	\$ 991,818
Vesting of restricted stock and restricted stock units	—	—	12,300	408	—	—	408
Issuance of units in exchange for contributions of equity offering proceeds and redemption of units	—	—	331,395	11,567	—	—	11,567
Amortization of restricted stock and long-term incentive plan awards	—	—	7,191	855	—	—	855
Distributions	—	(5 )	—	(34,701 )	—	(152 )	(34,858 )
Contributions from noncontrolling interests	—	—	—	—	—	1,667	1,667
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	—	1,074	—	—	1,074
Comprehensive income (loss)	—	2	—	9,856	(348 )	(59 )	9,451
Balance, June 30, 2015	6,920	\$ 188	48,343,393	\$ 982,122	\$ (4,813 )	\$ 4,485	\$ 981,982

See accompanying notes to the condensed consolidated financial statements.



EDUCATION REALTY OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	Six Months Ended June 30,	
	2015	2014
Operating activities:		
Net income	\$9,923	\$3,618
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,777	28,241
Loss on disposal of assets	—	54
Gain on sale of collegiate housing property	—	(10,902)
Noncash rent expense related to the straight-line adjustment for long-term ground leases	2,401	2,425
Loss on impairment of collegiate housing properties	—	11,780
Loss on extinguishment of debt	—	649
Amortization of deferred financing costs	1,007	1,017
Amortization of unamortized debt premiums	(419)	(392)
Distributions of earnings from unconsolidated entities	89	23
Noncash compensation expense related to stock-based incentive awards	1,319	1,046
Equity in losses of unconsolidated entities	396	134
Change in operating assets and liabilities (net of acquisitions)	(848)	(1,033)
Net cash provided by operating activities	45,645	36,660
Investing activities:		
Property acquisitions	(9,367)	—
Purchase of corporate assets	(447)	(436)
Restricted cash	(2,746)	(1,816)
Insurance proceeds received on property losses	—	2,092
Investment in collegiate housing properties	(7,063)	(9,438)
Proceeds from sale of collegiate housing properties	—	40,007
Notes receivable	(2,257)	(250)
Earnest money deposits	(1,327)	(250)
Investment in assets under development	(90,280)	(117,120)
Distributions from unconsolidated entities	692	—
Investments in unconsolidated entities	(391)	(6,077)
Net cash used in investing activities	(113,186)	(93,288)
Financing activities:		
Payment of mortgage and construction notes	(67,011)	(69,930)
Borrowings under mortgage and construction loans	42,481	8,813
Borrowings on unsecured term loan	—	187,500
Debt issuance costs	(48)	(1,658)
Debt extinguishment costs	—	(356)
Borrowings on line of credit	116,000	169,000
Repayments of line of credit	(2,000)	(459,900)
Proceeds from issuance of common units in exchange for contributions	10,660	239,921

See accompanying notes to the condensed consolidated financial statements.

