

BERKSHIRE INCOME REALTY INC
Form 10-Q
May 16, 2005

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 quarter period ended March 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period _____ to _____
Commission File number 001-31659

Berkshire Income Realty, Inc.
(Exact name of registrant as specified in its charter)

Maryland 32-0024337
(State of other jurisdiction of incorporation or (IRS employer identification no.)
organization)

One Beacon Street, Boston, Massachusetts 02108
(Address of principal executive offices) (Zip code)

(Registrant's telephone number, including area code) (617) 523-7722

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

Yes X No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act)

Yes No X

There were 1,283,313 shares of Class B common stock outstanding as of May 16, 2005.

BERKSHIRE INCOME REALTY, INC.

TABLE OF CONTENTS

ITEM NO.		PAGE NO.
PART I. FINANCIAL INFORMATION		
Item 1.	CONSOLIDATED FINANCIAL STATEMENTS: BERKSHIRE INCOME REALTY, INC.	
	Consolidated Balance Sheets (unaudited) at March 31, 2005 and December 31, 2004-	3
	Consolidated Statements of Operations (unaudited) for the three months ended March 31, 2005 and 2004 -----	4
	Consolidated Statements of Comprehensive Income (Loss) (unaudited) for the three months ended March 31, 2005 and 2004-----	5
	Consolidated Statement of Changes in Stockholders' Equity (unaudited) for the three months ended March 31, 2005 -----	6
	Consolidated Statements of Cash Flows (unaudited) for the three months ended March 31, 2005 and 2004 -----	7
	Notes to Consolidated Financial Statements (unaudited) -----	9
Item 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	19
Item 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	30
Item 4.	CONTROLS AND PROCEDURES	30
PART II OTHER INFORMATION		
Item 5.	OTHER INFORMATION	31
Item 6.	EXHIBITS	31

PART I. Financial Information

Item 1. Consolidated Financial Statements:

BERKSHIRE INCOME REALTY, INC.

CONSOLIDATED BALANCE SHEETS

(unaudited)

	March 31, 2005	December 31, 2004
ASSETS		
Multifamily apartment communities, net of accumulated depreciation of \$118,364,261 and \$113,953,842, respectively	\$ 321,068,452	\$ 260,554,434
Cash and cash equivalents	15,534,239	31,913,045
Cash restricted for tenant security deposits	1,335,481	1,217,517
Replacement reserve escrow	2,171,603	2,157,952
Prepaid expenses and other assets	6,560,872	8,190,739
Investment in Mortgage Funds	7,072,009	10,167,693
Investment in Multifamily Venture	2,231,326	2,274,500
Acquired in place leases and tenant relationships, net of accumulated amortization of \$2,785,245 and \$1,722,428, respectively	2,245,902	2,152,840
Deferred expenses, net of accumulated amortization of \$412,254 and \$325,338, respectively	2,718,702	2,476,779
Total assets	\$ 360,938,586	\$ 321,105,499
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Mortgage notes payable	\$ 313,747,869	\$ 268,716,955
Due to affiliates	1,737,228	1,862,822
Dividend and distributions payable	837,607	1,087,607
Accrued expenses and other liabilities	5,194,267	7,312,054
Tenant security deposits	1,723,910	1,468,397
Total liabilities	323,240,881	280,447,835
Commitments and Contingencies	-	-
Minority interest in properties	7,926,151	7,422,481
Minority interest in Operating Partnership	-	-
Stockholders' equity:		
Series A 9% Cumulative Redeemable Preferred Stock, no par value, \$25 stated value, 5,000,000 shares authorized, 2,978,110 shares issued and outstanding at March 31, 2005 and December 31, 2004, respectively	70,210,830	70,210,830
Class A common stock, \$.01 par value, 5,000,000 shares authorized; 0 shares issued and outstanding at March 31, 2005 and December 31, 2004, respectively	-	-

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Class B common stock, \$.01 par value, 5,000,000 shares authorized; 1,283,313 issued and outstanding at March 31, 2005 and December 31, 2004, respectively	12,833	12,833
Excess stock, \$.01 par value, 15,000,000 shares authorized, 0 shares issued and outstanding at March 31, 2005 and December 31, 2004 respectively	-	-
Accumulated deficit	(40,452,109)	(36,988,480)
Total stockholders' equity	29,771,554	33,235,183
Total liabilities and stockholders' equity	\$ 360,938,586	\$ 321,105,499

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

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BERKSHIRE INCOME REALTY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three months ended March 31,	
	2005	2004
Revenue:		
Rental	\$ 13,692,514	\$ 8,832,565
Interest	105,554	251,818
Utility reimbursement	214,698	135,734
Other	503,394	342,997
Total revenue	14,516,160	9,563,114
Expenses:		
Operating	3,756,976	2,457,112
Maintenance	913,011	594,686
Real estate taxes	1,624,609	1,073,682
General and administrative	867,662	349,134
Management fees	975,218	621,494
Depreciation	4,410,419	2,703,381
Interest	3,938,656	2,699,803
Amortization of acquired in-place leases and tenant relationships	1,062,817	454,637
Total expenses	17,549,368	10,953,929
Loss before minority interest in properties, equity in loss of Multifamily Venture, equity in income of Mortgage Funds, and minority common interest in Operating Partnership	(3,033,208)	(1,390,815)
Minority interest in properties	201,914	(45,942)
Equity in loss of Multifamily Venture	(43,174)	-
Equity in income of Mortgage Funds	1,086,039	377,167
Minority common interest in Operating Partnership	-	-
Net loss	\$ (1,788,429)	\$ (1,059,590)
Preferred dividend	(1,675,200)	(1,675,213)
Net loss available to common shareholders	\$ (3,463,629)	\$ (2,734,803)
Loss per common share, basic and diluted	\$ (2.70)	\$ (2.13)
Weighted average number of common shares outstanding	1,283,313	1,283,313

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

BERKSHIRE INCOME REALTY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

	Three months ended	
	March 31, 2005	2004
Comprehensive loss:		
Net loss	\$ (1,788,429)	\$ (1,059,590)
Other comprehensive income (loss):		
Unrealized gain on available for sale securities	-	30,110
Comprehensive loss	\$ (1,788,429)	\$ (1,029,480)

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

BERKSHIRE INCOME REALTY, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2005

(unaudited)

	Series A Preferred Stock		Class B Common Stock		Accumulated	Other	Total
	Shares	Amount	Shares	Amount	Deficit	Comprehensive	Stockholders
						Income	Equity
Balance at December 31, 2004	2,978,110	\$70,210,830	1,283,313	\$ 12,833	\$ (36,988,480)	\$ -	\$ 33,235,183
Net loss	-	-	-	-	(1,788,429)	-	(1,788,429)
Distributions to preferred shareholders	-	-	-	-	(1,675,200)	-	(1,675,200)
Balance at March 31, 2005	2,978,110	\$70,210,830	1,283,313	\$ 12,833	\$(40,452,109)	\$ -	\$ 29,771,554

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

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BERKSHIRE INCOME REALTY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	For the Three Months ended March 31,	
	2005	2004
Cash flows from operating activities:		
Net loss	\$ (1,788,429)	\$ (1,059,590)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of deferred financing costs	86,916	77,614
Amortization of acquired in-place leases and tenant relationships	1,062,817	454,637
Depreciation	4,410,419	2,625,767
Minority interest in properties		45,942
Minority interest in Operating Partnership	(201,914)	-
Equity in loss of Multifamily Venture	43,174	-
Accretion of Mortgage Funds	(530,737)	(103,207)
Increase (decrease) in cash attributable to changes in assets and liabilities:		
Tenant security deposits, net	137,549	180,149
Due to affiliates	(125,594)	422,147
Prepaid expenses and other assets	1,752,084	834,505
Accrued expenses and other liabilities	(2,268,761)	(780,305)
Net cash provided by operating activities	2,577,524	2,697,659
Cash flows from investing activities:		
Capital improvements	(1,743,272)	(2,350,834)
Acquisition of multifamily apartment communities	(24,269,914)	(32,510,349)
Acquisition of real estate limited partnership interests	(39,614,714)	-
Distributions from investments in Mortgage Funds	3,626,421	736,130
Deposits to replacement reserve	(16,940)	(99,778)
Withdrawals from replacement reserve	3,289	173,053
Purchase of available-for-sale securities	-	(95,104)
Acquisition of in-place leases and tenant relationships	(423,660)	(925,171)
Net cash used in investing activities	(62,438,790)	(35,072,053)
Cash flows from financing activities:		
Principal payments on mortgage notes payable	(594,086)	(620,509)
Borrowings on mortgage notes payable	45,625,000	17,400,000
Deferred financing costs	(328,839)	(362,800)
Distributions to minority interest in properties	-	(45,942)
Distributions to preferred shareholders	(1,675,200)	(1,675,213)
Distributions on common operating partnership units	(250,000)	(250,000)
Contributions from holder of minority interest in properties	705,584	-
Net cash provided by financing activities	43,482,459	14,445,536
Net decrease in cash and cash equivalents	(16,378,806)	(17,928,858)
Cash and cash equivalents at beginning of period	31,913,045	42,145,947
Cash and cash equivalents at end of period	\$ 15,534,239	\$ 24,217,089

Supplemental disclosure:

Cash paid for interest \$ 4,869,365