

BERKSHIRE INCOME REALTY, INC.

Form 10-Q

May 15, 2014

United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2014

or

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

Commission File Number 001-31659

BERKSHIRE INCOME REALTY, INC.

Maryland

(State or other jurisdiction of incorporation or organization)

32-0024337

(I. R. S. Employer Identification No.)

One Beacon Street, Boston, Massachusetts

(Address of principal executive offices)

02108

(Zip Code)

(617) 523-7722

(Registrant's telephone number, including area code)

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  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).

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.

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 Exchange Act).

Yes  No

There were 1,406,196 shares of Class B common stock outstanding as of May 14, 2014.

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BERKSHIRE INCOME REALTY, INC.

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## Part I FINANCIAL INFORMATION

## Item 1. CONSOLIDATED FINANCIAL STATEMENTS

BERKSHIRE INCOME REALTY, INC.  
CONSOLIDATED BALANCE SHEETS

	March 31, 2014 (unaudited)	December 31, 2013 (audited)
<b>ASSETS</b>		
Multifamily apartment communities, net of accumulated depreciation of \$248,577,337 and \$242,291,624, respectively	\$511,492,413	\$381,663,433
Cash and cash equivalents	14,011,685	15,254,613
Cash restricted for tenant security deposits	1,322,840	1,321,895
Replacement reserve escrow	1,227,733	1,121,258
Prepaid expenses and other assets	10,048,627	10,675,302
Investments in unconsolidated multifamily entities	14,031,865	14,294,474
Acquired in-place leases and tenant relationships, net of accumulated amortization of \$0 and \$0, respectively	1,642,098	—
Deferred expenses, net of accumulated amortization of \$3,179,036 and \$2,953,066, respectively	5,712,706	2,977,939
Total assets	\$559,489,967	\$427,308,914
<b>LIABILITIES AND DEFICIT</b>		
Liabilities:		
Mortgage notes payable	\$551,306,545	\$475,525,480
Credit Facility (Note 6)	80,000,000	—
Note payable - other	1,250,000	1,250,000
Due to affiliates, net	3,304,540	2,454,167
Due to affiliate, incentive advisory fees	8,407,559	8,289,617
Dividend and distributions payable	837,607	837,607
Accrued expenses and other liabilities	11,515,765	10,968,053
Tenant security deposits	1,860,194	1,531,472
Total liabilities	658,482,210	500,856,396
Commitments and contingencies (Note 10)	—	—
Deficit:		
Noncontrolling interest in properties (Note 12)	615,734	879,785
Noncontrolling interest in Operating Partnership (Note 13)	(126,878,188)	(102,297,937)
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, 2014 and December 31, 2013, 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, 2014 and December 31, 2013, respectively	—	—
Class B common stock, \$.01 par value, 5,000,000 shares authorized, 1,406,196 shares issued and outstanding at March 31, 2014 and December 31, 2013,	14,062	14,062

respectively

Excess stock, \$.01 par value, 15,000,000 shares authorized, 0 shares issued  
and outstanding at March 31, 2014 and December 31, 2013, respectively

Accumulated deficit

Total deficit

—	—
(42,954,681	) (42,354,222 )
(98,992,243	) (73,547,482 )

Total liabilities and deficit

\$559,489,967	\$427,308,914
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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,	
	2014	2013
Revenue:		
Rental	\$ 19,289,286	\$ 17,774,536
Utility reimbursement	918,837	837,674
Other	968,542	807,879
Total revenue	21,176,665	19,420,089
Expenses:		
Operating	6,321,228	4,649,242
Maintenance	1,132,823	882,901
Real estate taxes	2,183,181	1,810,498
General and administrative	621,161	730,090
Management fees	1,226,253	1,192,812
Incentive advisory fees	264,045	750,872
Depreciation	6,286,212	6,327,236
Interest, inclusive of amortization of deferred financing fees	7,093,818	6,409,620
Amortization of acquired in-place leases and tenant relationships	—	5,377
Total expenses	25,128,721	22,758,648
Loss before equity in income (loss) of unconsolidated multifamily entities	(3,952,056	) (3,338,559
Equity in income (loss) of unconsolidated multifamily entities	682,492	(775,967
Loss from continuing operations	(3,269,564	)