

BRT REALTY TRUST
Form 10-Q
May 09, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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, 2007

OR

- Transition Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Commission File Number 001-07172

BRT REALTY TRUST

(Exact name of Registrant as specified in its charter)

Massachusetts
(State or other jurisdiction of
incorporation or organization)

13-2755856
(I.R.S. Employer
Identification No.)

60 Cutter Mill Road, Great Neck, NY
(Address of principal executive offices)

11021
(Zip Code)

516-466-3100

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

Yes No

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Indicate the number of shares outstanding of each of the issuer's classes of stock, as of the latest practicable date.

11,090,818 Shares of Beneficial Interest,
\$3 par value, outstanding on May 4, 2007

Part 1 - FINANCIAL INFORMATION**Item 1. Financial Statements**

BRT REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	March 31, 2007 (Unaudited)	September 30, 2006 (Audited)
ASSETS		
Real estate loans:		
Earning interest, including \$-0- and \$550 from related parties	\$ 274,633	\$ 283,282
Not earning interest	16,593	1,346
	291,226	284,628
Allowance for possible losses	(669)	(669)
	290,557	283,959
Real estate properties, net of accumulated depreciation of \$781 and \$725	3,328	3,342
Investment in unconsolidated ventures at equity	12,315	9,608
Cash and cash equivalents	12,565	8,393
Available-for-sale securities at market	46,403	53,252
Real estate property held for sale	-	2,833
Other assets	10,550	9,655
Total Assets	\$ 375,718	\$ 371,042
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Borrowed funds	\$ 53,000	\$ 141,464
Junior subordinated notes	56,702	56,702
Mortgage payable	2,433	2,471
Accounts payable and accrued liabilities, including deposits payable of \$3,510 and \$5,061	7,852	11,479
Dividends payable	6,868	4,491
Total Liabilities	126,855	216,607
Commitments and contingencies		
Shareholders' Equity:		
Preferred shares, \$1 par value:		
Authorized 10,000 shares, none issued	-	-
Shares of beneficial interest, \$3 par value:		
Authorized number of shares, unlimited, issued 12,078 and 9,065 shares	36,233	27,194
Additional paid-in capital	156,214	85,498
Accumulated other comprehensive income - net unrealized gain on available-for-sale securities	35,328	38,319
Retained earnings	31,120	13,510

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Cost of 1,164 and 1,171 treasury shares of beneficial interest, respectively	(10,032)	(10,086)
Total Shareholders' Equity	248,863	154,435
Total Liabilities and Shareholders' Equity	\$ 375,718	\$ 371,042

See Accompanying Notes to Consolidated Financial Statements.

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BRT REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(Dollar amounts in thousands except per share amounts)

	Three Months Ended		Six Months Ended	
	2007	2006	2007	2006
Revenues:				
Interest and fees on real estate loans, including \$-0- and \$17 from related parties for the three month periods, respectively, and \$15 and \$76 for the six month periods, respectively.	\$ 9,969	\$ 7,119	\$ 21,556	\$ 13,543
Operating income from real estate properties	385	251	750	544
Other, primarily investment income	640	751	1,433	1,434
Total Revenues	10,994	8,121	23,739	15,521
Expenses:				
Interest - borrowed funds	2,382	2,006	6,237	3,776
Advisor's fees, related party	534	629	1,358	1,165
General and administrative - including \$198 and \$216 to related parties for the three month periods, respectively, and \$456 and \$448 for the six month periods, respectively.	1,791	1,468	3,350	3,073
Other taxes	556	134	785	248
Operating expenses relating to real estate properties including interest on mortgages payable of \$38 and \$39 for the three month periods, respectively, and \$77 and \$80 for the six month periods, respectively	202	197	403	404
Amortization and depreciation	45	34	78	71
Total Expenses	5,510	4,468	12,211	8,737
Income before equity in earnings (loss) of unconsolidated joint ventures, minority interest and discontinued operations	5,484	3,653	11,528	6,784
Equity in earnings (loss) of unconsolidated joint ventures	99	127	181	(750)
Gain on disposition of real estate related to unconsolidated venture	-	-	1,819	2,531
Income before gain on sale of available-for sale securities, minority interest and discontinued operations	5,583	3,780	13,528	8,565

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Gain on sale of available-for-sale securities	15,298	-	15,298	-
Minority interest	(17)	(6)	(31)	(14)
Income before discontinued operations	20,864	3,774	28,795	8,551
Discontinued Operations				
Income (loss) from operations	-	30	6	(32)
Gain on sale of real estate assets	-	315	352	315
Income from discontinued operations	-	345	358	283
Net income	\$ 20,864	\$ 4,119	\$ 29,153	\$ 8,834
Income per share of beneficial interest:				
Income from continuing operations	\$ 1.88	\$.48	\$ 2.91	\$ 1.09
Income from discontinued operations	-	.04	.04	.03
Basic earnings per share	\$ 1.88	\$.52	\$ 2.95	\$ 1.12
Income from continuing operations	\$ 1.88	\$.48	\$ 2.91	\$ 1.09
Income (loss) from discontinued operations	-	.04	.04	.03
Diluted earnings per share	\$ 1.88	\$.52	\$ 2.95	\$ 1.12
Cash distributions per common share	\$.62	\$.52	\$ 1.20	\$ 1.04
Weighted average number of common shares outstanding:				
Basic	11,051,977	7,920,760	9,853,295	7,874,877
Diluted	11,069,901	7,945,242	9,871,381	7,910,922

See Accompanying Notes to Consolidated Financial Statements.

BRT REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(Amounts in thousands except for per share data and number of shares)

	Shares of Beneficial Interest	Additional Paid-In Capital	Accumulated Other Com- prehensive Income	Retained Earnings	Treasury Shares	Total
Balances, September 30, 2006	\$ 27,194	\$ 85,498	\$ 38,319	\$ 13,510	\$ (10,086)	\$ 154,435
Shares issued - Dividend reinvestment and stock purchase plan (80,334 shares)	241	2,037	-	-	-	2,278
Shares issued - underwritten public offering (2,932,500 shares)	8,798	68,296	-	-	-	77,094
Distributions - common share (\$1.20 per share)	-	-	-	(11,543)	-	(11,543)
Exercise of stock options		(1)			11	10
Restricted stock vesting		(43)			43	-
Compensation expense - restricted stock	-	427	-	-	-	427
Net income	-	-	-	29,153	-	29,153
Other comprehensive Income - net unrealized loss on available-for-sale securities (net of reclassification adjustment for gains included in net income of \$15,298)	-	-	(2,991)	-	-	(2,991)
Comprehensive income	-	-	-	-	-	26,162
Balances, March 31, 2007	\$ 36,233	\$ 156,214	\$ 35,328	\$ 31,120	\$ (10,032)	\$ 248,863

See Accompanying Notes to Consolidated Financial Statements

BRT REALTY TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Amounts in Thousands)

	Six Months Ended March 31,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 29,153	\$ 8,834
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and depreciation	537	239
Amortization of restricted stock and stock options	427	234
Net gain on sale of real estate assets from discontinued operations	(352)	(315)
Gain on sale of available-for-sale securities	(15,298)	-
Equity in (earnings) loss of unconsolidated real estate ventures	(181)	750
Gain on disposition of real estate related to unconsolidated real estate venture	(1,819)	(2,531)
Distribution of earnings of unconsolidated joint ventures	4,536	91
Increase in straight line rent	(120)	(33)
Increases and decreases from changes in other assets and liabilities		
Increase in interest and dividends receivable	(157)	(377)
(Increase) decrease in prepaid expenses	(626)	32
(Decrease) increase in accounts payable and accrued liabilities	(3,659)	1,218
Increase in deferred costs	(309)	(1,572)
Other	(136)	(867)
Net cash provided by operating activities	11,996	5,703
Cash flows from investing activities:		
Collections from real estate loans	54,663	82,534
Sale of participation interests	569	37,800
Additions to real estate loans	(59,271)	(142,559)
Net costs capitalized to real estate assets	(41)	(191)
Proceeds from sale of real estate owned	625	337
Purchase of available-for-sale securities	(49)	-
Sale of available-for-sale securities	19,203	-
Contributions to unconsolidated joint ventures	(10,071)	(30)
Distributions of capital of unconsolidated joint ventures	4,831	876
Net cash provided by (used in) investing activities	10,459	(21,233)
Cash flows from financing activities:		
Proceeds from borrowed funds	72,000	83,000
Repayment of borrowed funds	(160,464)	(83,858)
Proceeds from sale of junior subordinated notes	-	25,000
Mortgage amortization	(38)	(36)
Cash distribution - common shares	(9,163)	(7,996)
Exercise of stock options	10	453
Issuance of shares - dividend reinvestment and stock purchase plan	2,278	1,143

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Net proceeds from secondary offering	77,094	-
Net cash (used in) provided by financing activities	(18,283)	17,706
Net increase in cash and cash equivalents	4,172	2,176
Cash and cash equivalents at beginning of period	8,393	5,709
Cash and cash equivalents at end of period	\$ 12,565	\$ 7,885
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ 6,461	\$ 3,598
Non cash investing and financing activity:		
Seller financing provided for sale of real estate	\$ 2,560	\$ -
Reclassification of real asset to real estate property held for sale	-	2,787
Accrued distributions	6,868	4,135
Purchase of common shares of statutory trust	-	774

See Accompanying Notes to Consolidated Financial Statements

BRT REALTY TRUST AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Note 1 - Organization and Background

BRT Realty Trust is a real estate investment trust organized as a business trust in 1972 under the laws of the Commonwealth of Massachusetts. Our principal business activity is to generate income by originating and holding for investment, for our own account, senior and junior real estate mortgage loans secured by real property. The Trust may also participate as both an equity investor in, and as a mortgage lender to, joint ventures which acquire income producing properties.

Note 2 - Basis of Preparation

The accompanying interim unaudited consolidated financial statements as of March 31, 2007 and for the three and six months ended March 31, 2007 and March 31, 2006 reflect all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the results for such interim periods. The results of operations for the three and six months ended March 31, 2007 are not necessarily indicative of the results for the full year.

Certain items on the consolidated financial statements for the preceding period have been reclassified to conform with the current consolidated financial statements.

The consolidated financial statements include the accounts and operations of BRT Realty Trust, its wholly owned subsidiaries and its majority-owned or controlled real estate entities. With respect to its unconsolidated joint ventures, as the Company (i) is primarily the managing member but does not exercise substantial operating control over these entities pursuant to EITF 04-05, and (ii) such entities are not variable-interest entities pursuant to FASB Interpretation No. 46, "Consolidation of Variable Interest Entities", it has determined that such joint ventures should be accounted for under the equity method of accounting for financial statement purposes. Material intercompany items and transactions have been eliminated. BRT Realty Trust and its subsidiaries are hereinafter referred to as "BRT" or the "Trust."

These statements should be read in conjunction with the consolidated financial statements and related notes which are included in BRT's Annual Report on Form 10-K for the year ended September 30, 2006.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

Note 3 - Shareholders' Equity

Distributions

During the quarter ended March 31, 2007, BRT declared a cash distribution to shareholders of \$.62 per share. This distribution totaled \$6,868,000 and was paid April 4, 2007 to shareholders of record on March 23, 2007.

Stock Options

As of March 31, 2007, there were 25,000 stock options outstanding. All of these options are exercisable. During the quarter ended March 31, 2007, 1,250 options were exercised. Proceeds from these options totaled \$10,000.

Note 3 - Shareholders' Equity (Continued)

Restricted Shares