URSTADT BIDDLE PROPERTIES INC
Form 10-Q
March 08, 2019
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 January 31, 2019

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 1-12803

Urstadt Biddle Properties Inc.
(Exact Name of Registrant in its Charter)

Maryland	04-2458042
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
321 Railroad Avenue, Greenwich, CT	06830
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (203) 863-8200

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

As of March 6, 2019 (latest date practicable), the number of shares of the Registrant's classes of Common Stock and Class A Common Stock outstanding was: 9,960,445 Common Shares, par value $.01 per share, and 29,899,960 Class A Common Shares, par value $.01 per share.

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Urstadt Biddle Properties Inc.

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URSTADT BIDDLE PROPERTIES INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	January 31, 2019 (Unaudited)	October 31, 2018
Assets		
Real Estate Investments:		
Real Estate– at cost	$1,134,678	$1,118,075
Less: Accumulated depreciation	(224,160)	(218,653)
	910,518	899,422
Investments in and advances to unconsolidated joint ventures	36,194	37,434
	946,712	936,856
Cash and cash equivalents	13,142	10,285
Marketable securities	-	5,567
Tenant receivables	23,787	22,607
Prepaid expenses and other assets	24,011	22,467
Deferred charges, net of accumulated amortization	10,806	10,451
Total Assets	$1,018,458	$1,008,233
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Revolving credit line	$44,595	$28,595
Mortgage notes payable and other loans	292,129	293,801
Accounts payable and accrued expenses	8,632	3,900
Deferred compensation – officers	36	72
Other liabilities	21,963	21,466
Total Liabilities	367,355	347,834
Redeemable Noncontrolling Interests	78,405	78,258
Commitments and Contingencies		
Stockholders' Equity:		
6.75% Series G Cumulative Preferred Stock (liquidation preference of $25 per share); 3,000,000 shares issued and outstanding	75,000	75,000
6.25% Series H Cumulative Preferred Stock (liquidation preference of $25 per share); 4,600,000 shares issued and outstanding	115,000	115,000
Excess Stock, par value $0.01 per share; 20,000,000 shares authorized; none issued and outstanding	-	-
Common Stock, par value $0.01 per share; 30,000,000 shares authorized; 9,960,445 and 9,822,006 shares issued and outstanding	100	99
Class A Common Stock, par value $0.01 per share; 100,000,000 shares authorized; 29,913,560 and 29,814,814 shares issued and outstanding	299	298
Additional paid in capital	518,985	518,136
Cumulative distributions in excess of net income	(138,248)	(133,858)

Accumulated other comprehensive income	1,562	7,466
Total Stockholders' Equity	572,698	582,141
Total Liabilities and Stockholders' Equity	$1,018,458	$1,008,233

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

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URSTADT BIDDLE PROPERTIES INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In thousands, except per share data)

	Three Months Ended January 31,	
	2019	2018
Revenues		
Base rents	$24,778	$23,584
Recoveries from tenants	8,452	8,207
Other	1,225	1,204
Total Revenues	34,455	32,995
Expenses		
Property operating	5,864	6,306
Property taxes	5,913	5,147
Depreciation and amortization	6,940	6,949
General and administrative	2,654	2,419
Provision for tenant credit losses	254	210
Directors' fees and expenses	108	102
Total Operating Expenses	21,733	21,133
Operating Income	12,722	11,862
Non-Operating Income (Expense):		
Interest expense	(3,578)	(3,423)
Equity in net income from unconsolidated joint ventures	342	560
Gain on sale of marketable securities	403	-
Interest, dividends and other investment income	129	80
Net Income	10,018	9,079
Noncontrolling interests:		
Net income attributable to noncontrolling interests	(1,101)	(1,095)
Net income attributable to Urstadt Biddle Properties Inc.	8,917	7,984
Preferred stock dividends	(3,063)	(3,063)
Net Income Applicable to Common and Class A Common Stockholders	$5,854	$4,921
Basic Earnings Per Share:		
Per Common Share:	$0.14	$0.12
Per Class A Common Share:	$0.16	$0.13
Diluted Earnings Per Share:		
Per Common Share:	$0.14	$0.12
Per Class A Common Share:	$0.16	$0.13
Dividends Per Share:		

Common	$$ 0.245	$$ 0.24
Class A Common	$$ 0.275	$$ 0.27

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

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URSTADT BIDDLE PROPERTIES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(In thousands)

	Three Months Ended January 31,	
	2019	2018
Net Income	$10,018	$9,079
Other comprehensive income:		
Change in unrealized income on interest rate swaps	(4,720)	2,410
Change in unrealized losses on interest rate swaps-equity investees	(615)	-
Total comprehensive income	4,683	11,489
Comprehensive income attributable to noncontrolling interests	(1,101)	(1,095)
Total Comprehensive income attributable to Urstadt Biddle Properties Inc.	3,582	10,394
Preferred stock dividends	(3,063)	(3,063)
Total comprehensive income applicable to Common and Class A Common Stockholders	$519	$7,331

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

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URSTADT BIDDLE PROPERTIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Three Months Ended January 31,	
	2019	2018
Cash Flows from Operating Activities:		
Net income	$10,018	$9,079
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,940	6,949
Straight-line rent adjustment	(436)	(217)
Provision for tenant credit losses	254	210
(Gain) on sale of marketable securities	(403)	-
Restricted stock compensation expense and other adjustments	1,066	666
Deferred compensation arrangement	(36)	(33)
Equity in net (income) of unconsolidated joint ventures	(342)	(560)
Distributions of operating income from unconsolidated joint ventures	342	560
Changes in operating assets and liabilities:		
Tenant receivables	(998)	(1,012)
Accounts payable and accrued expenses	2,979	2,819
Other assets and other liabilities, net	(5,712)	(5,882)
Net Cash Flow Provided by Operating Activities	13,672	12,579
Cash Flows from Investing Activities:		
Acquisitions of real estate investments	(13,836)	(121)
Investments in and advances to unconsolidated joint ventures	(369)	-
Deposits on acquisition of real estate investment	-	(10)
Proceeds from the sale of available for sale securities	5,970	-
Improvements to properties and deferred charges	(2,915)	(2,389)
Distributions to noncontrolling interests	(1,101)	(1,095)
Return of capital from unconsolidated joint ventures	989	136
Net Cash Flow (Used in) Investing Activities	(11,262)	(3,479)
Cash Flows from Financing Activities:		
Dividends paid -- Common and Class A Common Stock	(10,666)	(10,408)
Dividends paid -- Preferred Stock	(3,063)	(3,063)
Principal repayments on mortgage notes payable	(1,609)	(1,604)
Repayment of revolving credit line borrowings	(3,000)	(4,000)
Proceeds from revolving credit line borrowings	19,000	6,000
Payment of taxes on shares withheld for employee taxes	(265)	(240)
Net proceeds from the issuance of Common and Class A Common Stock	50	49
Net Cash Flow Provided by/(Used in) Financing Activities	447	(13,266)
Net Increase/(Decrease) In Cash and Cash Equivalents	2,857	(4,166)
Cash and Cash Equivalents at Beginning of Period	10,285	8,674
Cash and Cash Equivalents at End of Period	$13,142	$4,508

Supplemental Cash Flow Disclosures:		
Interest Paid	$3,572	$3,252

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

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URSTADT BIDDLE PROPERTIES INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(In thousands, except share and per share data)

	6.75% Series G Preferred Stock Issued	6.75% Series G Preferred Stock A Amount	6.25% Series H Preferred Stock Issued	6.25% Series H Preferred Stock Amount	Common Stock Issued	Common Stock Amount	Class A Common Stock Issued	Class A Common Stock Amount	Additional Paid In Capital	Cumulativ Distributio In Excess of Net Income
Balances - October 31, 2018	3,000,000	$75,000	4,600,000	$115,000	9,822,006	$99	29,814,814	$298	$518,136	$(133,858
November 1, 2018 adoption of new accounting standard - See Note 1	-	-	-	-	-	-	-	-	-	569
Net income applicable to Common and Class A common stockholders	-	-	-	-	-	-	-	-	-	5,854
Change in unrealized income on interest rate swaps	-	-	-	-	-	-	-	-	-	-
Cash dividends paid :										
Common stock ($0.245 per share)	-	-	-	-	-	-	-	-	-	(2,440
Class A common stock ($0.275 per share)	-	-	-	-	-	-	-	-	-	(8,226
Issuance of shares under dividend reinvestment plan	-	-	-	-	1,239	-	1,482	-	50	-
Shares issued under restricted stock plan	-	-	-	-	137,200	1	111,450	1	(2)	-

Shares withheld for employee taxes	-	-	-	-	-	-	(14,086)	-	(265)	-
Forfeiture of restricted stock	-	-	-	-	-	-	(100)	-	-	-
Restricted stock compensation and other adjustments	-	-	-	-	-	-	-	-	1,066	-
Adjustments to redeemable noncontrolling interests	-	-	-	-	-	-	-	-	-	(147
Balances - January 31, 2019	3,000,000	$75,000	4,600,000	$115,000	9,960,445	$100	29,913,560	$299	$518,985	$(138,248

	6.75% Series G Preferred Stock Issued	6.75% Series G Preferred Stock A Amount	6.25% Series H Preferred Stock Issued	6.25% Series H Preferred Stock Amount	Common Stock Issued	Common Stock Amount	Class A Common Stock Issued	Class A Common Stock Amount	Additional Paid In Capital	Cumulative Distribution In Excess of Net Income
Balances - October 31, 2017	3,000,000	$75,000	4,600,000	$115,000	9,664,778	$97	29,728,744	$297	$514,217	$(120,123)
Net income applicable to Common and Class A common stockholders	-	-	-	-	-	-	-	-	-	4,921
Change in unrealized income on interest rate swaps	-	-	-	-	-	-	-	-	-	-
Cash dividends paid :										
Common stock ($0.24 per share)	-	-	-	-	-	-	-	-	-	(2,356)
Class A common stock ($0.27 per share)	-	-	-	-	-	-	-	-	-	(8,052)
Issuance of shares under	-	-	-	-	1,120	-	1,469	-	49	-

dividend reinvestment plan										
Shares issued under restricted stock plan	-	-	-	-	152,700	2	102,800	1	(3)	-
Shares withheld for employee taxes	-	-	-	-	-	-	(10,886)	-	(240)	-
Forfeiture of restricted stock	-	-	-	-	-	-	(3,250)	-	-	-
Restricted stock compensation and other adjustments	-	-	-	-	-	-	-	-	667	-
Adjustments to redeemable noncontrolling interests	-	-	-	-	-	-	-	-	-	1,362
Balances - January 31, 2018	3,000,000	$75,000	4,600,000	$115,000	9,818,598	$99	29,818,877	$298	$514,690	$(124,248)

The accompanying notes to consolidated financial statements are an integral part of these statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) ORGANIZATION, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business
Urstadt Biddle Properties Inc. (“Company”), a Maryland Corporation, is a real estate investment trust (REIT), engaged in the acquisition, ownership and management of commercial real estate, primarily neighborhood and community shopping centers in the metropolitan New York tri-state area outside of the City of New York. The Company's major tenants include supermarket chains and other retailers who sell basic necessities. At January 31, 2019, the Company owned or had equity interests in 85 properties containing a total of 5.3 million square feet of Gross Leasable Area (“GLA”).

Principles of Consolidation and Use of Estimates
The accompanying consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and joint ventures in which the Company meets certain criteria in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 810, “Consolidation”. The Company has determined that such joint ventures should be consolidated into the consolidated financial statements of the Company. In accordance with ASC Topic 970-323 “Real Estate-General-Equity Method and Joint Ventures,” joint ventures that the Company does not control but otherwise exercises significant influence over, are accounted for under the equity method of accounting. See Note 5 for further discussion of the unconsolidated joint ventures. All significant intercompany transactions and balances have been eliminated in consolidation.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been omitted. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results of operations for the three months ended January 31, 2019 are not necessarily indicative of the results that may be expected for the year ending October 31, 2019. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company’s annual report on Form 10-K for the fiscal year ended October 31, 2018.

The preparation of financial statements requires management to make estimates and assumptions that affect the disclosure of contingent assets and liabilities, the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the periods covered by the financial statements. The most significant assumptions and estimates relate to the valuation of real estate, depreciable lives, revenue recognition, fair value estimates, and the collectability of tenant receivables and other assets and liabilities. Actual results could differ from these estimates. The balance sheet at October 31, 2018 has been derived from audited financial statements at that date.

Federal Income Taxes
The Company has elected to be treated as a REIT under Sections 856-860 of the Internal Revenue Code ("Code"). Under those sections, a REIT that, among other things, distributes at least 90% of real estate trust taxable income and meets certain other qualifications prescribed by the Code will not be taxed on that portion of its taxable income that is distributed. The Company believes it qualifies as a REIT and intends to distribute all of its taxable income for fiscal 2019 in accordance with the provisions of the Code. Accordingly, no provision has been made for Federal income taxes in the accompanying consolidated financial statements.

The Company follows the provisions of ASC Topic 740, “Income Taxes” that, among other things, defines a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Based on its evaluation, the Company determined that it has no uncertain tax positions and no unrecognized tax benefits as of January 31, 2019. As of January 31, 2019, the fiscal tax years 2015 through and including 2018 remain open to examination by the Internal Revenue Service. There are currently no federal tax examinations in progress.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and tenant receivables. The Company places its cash and cash equivalents with high quality financial institutions and the balances at times could exceed federally insured limits. The Company performs ongoing credit evaluations of its tenants and may require certain tenants to provide security deposits or letters of credit. Though these security deposits and letters of credit are insufficient to meet the terminal value of a tenant’s lease obligation, they are a measure of good faith and a source of funds to offset the economic costs associated with lost rent and the costs associated with re-tenanting the space. The Company has no dependency upon any single tenant.

Marketable Securities

Marketable equity securities are carried at fair value based upon quoted market prices in active markets. On November 1, 2018, the Company adopted FASB Accounting Standards Update ("ASU") 2016-01 "Financial Instruments - Overall". ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. As a result of the adoption, the Company recorded all unrealized holding gains for its marketable securities as of the date of adoption to cumulative distributions in excess of net income and reduced accumulated other comprehensive income in the amount of $569,000.

In January 2019, the Company sold all of its marketable equity securities and realized a gain on sale in the amount of $403,000, which has been recorded in the consolidated statement of income for three months ended January 31, 2019.

The Company did not own any marketable equity securities as of January 31, 2019. The unrealized gain on the Company's marketable equity securities at October 31, 2018 is detailed below (in thousands):

	Fair Market Value	Cost Basis	Unrealized Gain/(Loss)	Gross Unrealized Gains	Gross Unrealized (Loss)
October 31, 2018					
REIT Securities	$5,567	$4,998	$ 569	$ 569	$ -

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Derivative Financial Instruments

The Company occasionally utilizes derivative financial instruments, such as interest rate swaps, to manage its exposure to fluctuations in interest rates. The Company has established policies and procedures for risk assessment, and the approval, reporting and monitoring of derivative financial instruments. Derivative financial instruments must be effective in reducing the Company’s interest rate risk exposure in order to qualify for hedge accounting. When the terms of an underlying transaction are modified, or when the underlying hedged item ceases to exist, all changes in the fair value of the instrument are marked-to-market with changes in value included in net income for each period until the derivative instrument matures or is settled. Any derivative instrument used for risk management that does not meet the hedging criteria is marked-to-market with the changes in value included in net income. The Company has not entered into, and does not plan to enter into, derivative financial instruments for trading or speculative purposes. Additionally, the Company has a policy of entering into derivative contracts only with major financial institutions.

As of January 31, 2019, the Company believes it has no significant risk associated with non-performance of the financial institutions that are the counterparties to its derivative contracts. At January 31, 2019, the Company had approximately $97.3 million in secured mortgage financings subject to interest rate swaps. Such interest rate swaps converted the LIBOR-based variable rates on the mortgage financings to an average fixed annual rate of 3.74% per annum. As of January 31, 2019 and October 31, 2018, the Company had a deferred liability of $1.9 million and $114,000, respectively (included in accounts payable and accrued expense on the consolidated balance sheets) and a deferred asset of $4.0 million and $7.0 million, respectively (included in prepaid expenses and other assets on the consolidated balance sheets) relating to the fair value of the Company’s interest rate swaps applicable to secured mortgages.

Charges and/or credits relating to the changes in fair values of such interest rate swaps are made to other comprehensive income/(loss) as the swaps are deemed effective and are classified as a cash flow hedge.

Comprehensive Income

Comprehensive income is comprised of net income applicable to Common and Class A Common stockholders and other comprehensive income (loss). Other comprehensive income (loss) includes items that are otherwise recorded directly in stockholders’ equity, such as unrealized gains and losses on interest rate swaps designated as cash flow hedges, including the Company's share from entities accounted for under the equity method of accounting, and prior to November 1, 2018, unrealized gains/(losses) on marketable securities classified as available-for-sale. At January 31, 2019, accumulated other comprehensive income consisted of net unrealized gains on interest rate swap agreements of $1.6 million, inclusive of the Company's share of accumulated comprehensive income/(loss) from joint ventures accounted for by the equity method of accounting. At October 31, 2018, accumulated other comprehensive income consisted of net unrealized gains on interest rate swap agreements of approximately $6.9 million and unrealized gains/(losses) on marketable securities classified as available-for-sale of $569,000. Unrealized gains and losses included in other comprehensive income/(loss) will be reclassified into earnings as gains and losses are realized.

Asset Impairment

On a periodic basis, management assesses whether there are any indicators that the value of its real estate investments may be impaired. A property value is considered impaired when management’s estimate of current and projected operating cash flows (undiscounted and without interest) of the property over its remaining useful life is less than the net carrying value of the property. Such cash flow projections consider factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. To the extent impairment has occurred, the loss is measured as the excess of the net carrying amount of the property over the fair value of the asset. Changes in estimated future cash flows due to changes in the Company’s plans or market and economic conditions could result in recognition of impairment losses which could be substantial. Management does not believe that the value of any of its real estate investments is impaired at January 31, 2019.

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Acquisitions of Real Estate Investments, Capitalization Policy and Depreciation

Acquisition of Real Estate Investments:

The Company evaluates each acquisition of real estate or in-substance real estate (including equity interests in entities that predominantly hold real estate assets) to determine if the integrated set of assets and activities acquired meet the definition of a business and need to be accounted as a business combination. If either of the following criteria is met, the integrated set of assets and activities acquired would not qualify as a business:

• Substantially all of the fair value of the gross assets acquired is concentrated in either a single identifiable asset or a group of similar identifiable assets; or

• The integrated set of assets and activities is lacking, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs (i.e. revenue generated before and after the transaction).

An acquired process is considered substantive if:

• The process includes an organized workforce (or includes an acquired contract that provides access to an organized workforce), that is skilled, knowledgeable, and experienced in performing the process;

• The process cannot be replaced without significant cost, effort, or delay; or

• The process is considered unique or scarce.

Generally, the Company expects that acquisitions of real estate or in-substance real estate will not meet the definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e. land, buildings, and related intangible assets) or because the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay.

Acquisitions of real estate and in-substance real estate which do not meet the definition of a business are accounted for as asset acquisitions. The accounting model for asset acquisitions is similar to the accounting model for business combinations except that the acquisition consideration (including acquisition costs) is allocated to the individual assets acquired and liabilities assumed on a relative fair value basis. As a result, asset acquisitions do not result in the recognition of goodwill or a bargain purchase gain. The relative fair values used to allocate the cost of an asset acquisition are determined using the same methodologies and assumptions as the Company utilizes to determine fair value in a business combination.

The value of tangible assets acquired is based upon our estimation of value on an “as if vacant” basis. The value of acquired in-place leases includes the estimated costs during the hypothetical lease-up period and other costs that would have been incurred in the execution of similar leases under the market conditions at the acquisition date of the acquired in-place lease. We assess the fair value of tangible and intangible assets based on numerous factors, including estimated cash flow projections that utilize appropriate discount and capitalization rates and available market information. Estimates of future cash flows are based on a number of factors, including the historical operating results, known trends, and market/economic conditions that may affect the property.

The values of acquired above and below-market leases, which are included in prepaid expenses and other assets and other liabilities, respectively, are amortized over the terms of the related leases and recognized as either an increase (for below-market leases) or a decrease (for above-market leases) to rental revenue. The values of acquired in-place leases are classified in other assets in the accompanying consolidated balance sheets and amortized over the remaining terms of the related leases.

Capitalization Policy:
Land, buildings, property improvements, furniture/fixtures and tenant improvements are recorded at cost. Expenditures for maintenance and repairs are charged to operations as incurred. Renovations and/or replacements, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives.

Depreciation:
The Company is required to make subjective assessments as to the useful life of its properties for purposes of determining the amount of depreciation. These assessments have a direct impact on the Company’s net income.

Properties are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings	30-40 years
Property Improvements	10-20 years
Furniture/Fixtures	3-10 years
Tenant Improvements	Shorter of lease term or their useful life

Property Held for Sale
The Company reports properties that are either disposed of or are classified as held for sale in continuing operations in the consolidated statement of income if the removal, or anticipated removal, of the asset(s) from the reporting entity does not represent a strategic shift that has or will have a major effect on an entity's operations and financial results when disposed of. The Company did not classify any properties as held for sale as of January 31, 2019.

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Revenue Recognition

On November 1, 2018, the Company adopted ASU 2014-09 - ASC Topic 606 - Revenue from Contracts with Customers. The adoption of ASU 2014-09 did not have an impact on the consolidated financial statements of the Company because the majority of the Company's revenue consists of lease-related income from leasing arrangements, which is specifically excluded from ASU 2014-09. Other revenues, as a whole, are immaterial to total revenues and have been recorded by the Company in prior years in accordance with the concepts contained in ASC Topic 606. There was no change to previously reported amounts as a result of the adoption of ASU 2014-09.

Revenues from operating leases are generally recognized based on the terms of leases entered into with tenants. In those instances in which the Company funds tenant improvements and the improvements are deemed to be owned by the Company, revenue recognition will commence when the improvements are substantially completed and possession or control of the space is turned over to the tenant. When the Company determines that the tenant allowances are lease incentives, the Company commences revenue recognition when possession or control of the space is turned over to the tenant for tenant work to begin. Minimum rental income from leases with scheduled rent increases is recognized on a straight-line basis over the lease term. At January 31, 2019 and October 31, 2018, $18,874,000 and $18,375,000, respectively, has been recognized as straight-line rents receivable (representing the current cumulative rents recognized prior to when billed and collectible as provided by the terms of the leases), all of which is included in tenant receivables in the accompanying consolidated financial statements. Percentage rent is recognized when a specific tenant's sales breakpoint is achieved. Property operating expense recoveries from tenants of common area maintenance, real estate taxes and other recoverable costs are recognized in the period the related expenses are incurred. Lease incentives are amortized as a reduction of rental revenue over the respective tenant lease terms. Lease termination amounts are recognized in operating revenues when there is a signed termination agreement, all of the conditions of the agreement have been met, the tenant is no longer occupying the property and the termination consideration is probable of collection. Lease termination amounts are paid by tenants who want to terminate their lease obligations before the end of the contractual term of the lease by agreement with the Company. There is no way of predicting or forecasting the timing or amounts of future lease termination fees. Interest income is recognized as it is earned. Gains or losses on disposition of properties are recorded when the criteria for recognizing such gains or losses under U.S. GAAP have been met.

The Company provides an allowance for doubtful accounts against the portion of tenant receivables that is estimated to be uncollectible. Such allowances are reviewed periodically. At January 31, 2019 and October 31, 2018, tenant receivables in the accompanying consolidated balance sheets are shown net of allowances for doubtful accounts of $5,053,000 and $4,800,000, respectively. Included in the aforementioned allowance for doubtful accounts is an amount for future tenant credit losses of approximately 10% of the deferred straight-line rents receivable which is estimated to be uncollectible.

Earnings Per Share

The Company calculates basic and diluted earnings per share in accordance with the provisions of ASC Topic 260, "Earnings Per Share." Basic earnings per share ("EPS") excludes the impact of dilutive shares and is computed by dividing net income applicable to Common and Class A Common stockholders by the weighted average number of Common shares and Class A Common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue Common shares or Class A Common shares were exercised or converted into Common shares or Class A Common shares and then shared in the earnings of the Company. Since the cash dividends declared on the Company's Class A Common stock are higher than the dividends declared on the Common Stock, basic and diluted EPS have been calculated using the "two-class" method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock according to the weighted average of the dividends declared, outstanding shares per class and participation rights in undistributed earnings.

The following table sets forth the reconciliation between basic and diluted EPS (in thousands):

	Three Months Ended January 31,	
	2019	2018
Numerator		
Net income applicable to common stockholders – basic	$1,233	$1,012
Effect of dilutive securities:		
Restricted stock awards	38	43
Net income applicable to common stockholders – diluted	$1,271	$1,055
Denominator		
Denominator for basic EPS – weighted average common shares	8,810	8,558
Effect of dilutive securities:		
Restricted stock awards	389	500
Denominator for diluted EPS – weighted average common equivalent shares	9,199	9,058
Numerator		
Net income applicable to Class A common stockholders-basic	$4,621	$3,909
Effect of dilutive securities:		
Restricted stock awards	(38)	(43)
Net income applicable to Class A common stockholders – diluted	$4,583	$3,866
Denominator		
Denominator for basic EPS – weighted average Class A common shares	29,427	29,372
Effect of dilutive securities:		
Restricted stock awards	120	120
Denominator for diluted EPS – weighted average Class A common equivalent shares	29,547	29,492

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Segment Reporting

The Company's primary business is the ownership, management, and redevelopment of retail properties. The Company reviews operating and financial information for each property on an individual basis and therefore, each property represents an individual operating segment. The Company evaluates financial performance using property operating income, which consists of base rental income and tenant reimbursement income, less rental expenses and real estate taxes. Only one of the Company's properties, located in Stamford, CT ("Ridgeway"), is considered significant as its revenue is in excess of 10% of the Company's consolidated total revenues and accordingly is a reportable segment. The Company has aggregated the remainder of its properties as they share similar long-term economic characteristics and have other similarities including the fact that they are operated using consistent business strategies, are typically located in the same major metropolitan area, and have similar tenant mixes.

Ridgeway is located in Stamford, Connecticut and was developed in the 1950's and redeveloped in the mid 1990's. The property contains approximately 374,000 square feet of GLA. It is the dominant grocery-anchored center and the largest non-mall shopping center located in the City of Stamford, Fairfield County, Connecticut.

Segment information about Ridgeway as required by ASC Topic 280 is included below:

	Three Months Ended January 31, 2019	Three Months Ended January 31, 2018
Ridgeway Revenues	10.9 %	10.5 %
All Other Property Revenues	89.1 %	89.5 %
Consolidated Revenue	100.0%	100.0%

	January 31, 2019	October 31, 2018
Ridgeway Assets	6.7 %	7.0 %
All Other Property Assets	93.3 %	93.0 %
Consolidated Assets (Note 1)	100.0 %	100.0 %

Note 1 - Ridgeway did not have any significant expenditures for additions to long lived assets in the three months ended January 31, 2019 or the year ended October 31, 2018.

	January 31, 2019	October 31, 2018
Ridgeway Percent Leased	96 %	96 %

Ridgeway Significant Tenants by Annual Base Rents	Three Months Ended January 31, 2019	Three Months Ended January 31, 2018
The Stop & Shop Supermarket Company	20 %	20 %
Bed, Bath & Beyond	14 %	14 %
Marshall's Inc., a division of the TJX Companies	10 %	10 %
All Other Tenants at Ridgeway (Note 2)	56 %	56 %

Total	100 %	100 %

Note 2 - No other tenant accounts for more than 10% of Ridgeway's annual base rents in any of the periods presented. Percentages are calculated as a ratio of the tenants' base rent divided by total base rent of Ridgeway.

Income Statement (In Thousands):	Three Months Ended January 31, 2019		
	Ridgeway	All Other Operating Segments	Total Consolidated
Revenues	$3,764	$ 30,691	$ 34,455
Operating Expenses	$1,075	$ 10,702	$ 11,777
Interest Expense	$437	$ 3,141	$ 3,578
Depreciation and Amortization	$601	$ 6,339	$ 6,940
Net Income	$1,651	$ 8,367	$ 10,018

Income Statement (In Thousands):	Three Months Ended January 31, 2018		
	Ridgeway	All Other Operating Segments	Total Consolidated
Revenues	$3,453	$ 29,542	$ 32,995
Operating Expenses	$976	$ 10,477	$ 11,453
Interest Expense	$577	$ 2,846	$ 3,423
Depreciation and Amortization	$681	$ 6,268	$ 6,949
Net Income	$1,219	$ 7,860	$ 9,079

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Stock-Based Compensation

The Company accounts for its stock-based compensation plans under the provisions of ASC Topic 718, “Stock Compensation”, which requires that compensation expense be recognized, based on the fair value of the stock awards less estimated forfeitures. The fair value of stock awards is equal to the fair value of the Company’s stock on the grant date. The Company recognizes compensation expense for its stock awards by amortizing the fair value of stock awards over the requisite service periods of such awards.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period’s presentation.

New Accounting Standards

In May 2014, FASB issued Accounting Standards Update (“ASU”) No. 2014-09 titled “Revenue from Contracts with Customers” and subsequently issued several related ASUs (collectively “ASU 2014-09”). ASU 2014-09 replaces most existing revenue recognition guidance and requires an entity to recognize the amount of revenue which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 is effective for annual periods beginning after December 15, 2017, and interim periods within those years and must be applied retrospectively by either restating prior periods or by recognizing the cumulative effect as of the date of first application. The Company adopted ASU 2014-09 effective November 1, 2018, using the modified retrospective approach. The adoption of ASU 2014-09 did not have an impact on the consolidated financial statements because the majority of the Company’s revenue consists of lease-related income from leasing arrangements, which is specifically excluded from ASU 2014-09. Other revenues, as a whole, are immaterial to total revenues. There was no change to previously reported amounts as a result of the adoption of ASU 2014-09.