

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

Education Realty Trust, Inc.
Form 10-Q
May 02, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark
One)

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

For the quarterly period ended March 31, 2016

or

o 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 x No o

Education Realty Operating Partnership, LP Yes x No o

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 x No o

Education Realty Operating Partnership, LP Yes x No o

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.

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Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a 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 April 28, 2016, Education Realty Trust, Inc. had 66,068,105 shares of common stock outstanding.

EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the quarterly period ended March 31, 2016 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 March 31, 2016, 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.

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 March 31, 2016
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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)

	March 31, 2016	December 31, 2015
Assets:		
Collegiate housing properties, net	\$1,744,189	\$1,774,796
Assets under development	185,328	117,384
Cash and cash equivalents	195,848	33,742
Restricted cash	8,930	9,784
Other assets	63,005	66,125
Total assets	\$2,197,300	\$2,001,831
Liabilities:		
Mortgage and construction loans, net of unamortized premium and deferred financing costs	\$118,266	\$204,511
Unsecured revolving credit facility	—	—
Unsecured term loan, net of unamortized deferred financing costs	186,581	186,518
Unsecured senior notes, net of unamortized deferred financing costs	247,743	247,678
Accounts payable and accrued expenses	93,459	85,670
Deferred revenue	19,795	19,024
Total liabilities	665,844	743,401
Commitments and contingencies (see Note 7)	—	—
Redeemable noncontrolling interests	10,676	13,560
Equity:		
Common stock, \$0.01 par value per share, 200,000,000 shares authorized, 65,011,662 and 56,879,003 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	650	569
Preferred shares, \$0.01 par value per share, 50,000,000 shares authorized, no shares issued and outstanding	—	—
Additional paid-in capital	1,525,104	1,263,603
Accumulated deficit	(5,329)	(21,998)
Accumulated other comprehensive loss	(8,921)	(5,475)
Total Education Realty Trust, Inc. stockholders' equity	1,511,504	1,236,699
Noncontrolling interests	9,276	8,171
Total equity	1,520,780	1,244,870
Total liabilities and equity	\$2,197,300	\$2,001,831

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 March 31,	
	2016	2015
Revenues:		
Collegiate housing leasing revenue	\$70,183	\$60,383
Third-party development consulting services	483	597
Third-party management services	894	1,053
Operating expense reimbursements	1,819	2,096
Total revenues	73,379	64,129
Operating expenses:		
Collegiate housing leasing operations	24,889	24,140
Development and management services	2,521	2,702
General and administrative	3,109	2,639
Depreciation and amortization	17,516	15,866
Ground lease expense	3,309	2,848
Reimbursable operating expenses	1,819	2,096
Total operating expenses	53,163	50,291
Operating income	20,216	13,838
Nonoperating (income) expenses:		
Interest expense	4,663	5,941
Amortization of deferred financing costs	480	516
Interest income	(74)	(38)
Loss on extinguishment of debt	9,920	—
Total nonoperating expenses	14,989	6,419
Income before equity in losses of unconsolidated entities, income taxes and gain on sale of collegiate housing properties	5,227	7,419
Equity in losses of unconsolidated entities	(244)	(194)
Income before income taxes and gain on sale of collegiate housing properties	4,983	7,225
Income tax expense	51	78
Income before gain on sale of collegiate housing properties	4,932	7,147
Gain on sale of collegiate housing properties	11,873	—
Net income	16,805	7,147
Less: Net income attributable to the noncontrolling interests	136	206
Net income attributable to Education Realty Trust, Inc.	\$16,669	\$6,941

See accompanying notes to the condensed consolidated financial statements.

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	Three Months Ended March 31,	
	2016	2015
Comprehensive income:		
Net income	\$16,805	\$7,147
Other comprehensive loss:		
Loss on cash flow hedging derivatives	(3,446)	(2,439)
Comprehensive income	\$13,359	\$4,708
Less: Comprehensive income attributable to the noncontrolling interests	136	206
Comprehensive income attributable to Education Realty Trust, Inc.	\$13,223	\$4,502
Earnings per share information:		
Net income attributable to Education Realty Trust, Inc. common stockholders per share – basic	\$0.27	\$0.14
Net income attributable to Education Realty Trust, Inc. common stockholders per share – diluted	\$0.26	\$0.14
Distributions per share of common stock	\$0.37	\$0.36
Weighted average common shares outstanding:		
Weighted average common shares outstanding – basic	62,677	48,179
Weighted average common shares outstanding – diluted	62,963	48,501

See accompanying notes to the condensed consolidated financial statements.

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

(Amounts in thousands, except shares)

(Unaudited)

	Common Stock		Additional	Accumulated	Accumulated	Noncontrolling	Total
	Shares	Amount	Paid-In Capital	Deficit	Other Comprehensive Loss	Interests	
Balance, December 31, 2014	47,999,427	\$ 480	\$1,034,683	\$ (41,909)	\$ (4,465)	\$ 3,029	\$991,818
Proceeds from issuance of common stock, net of offering costs	327,605	3	11,497	—	—	—	11,500
Amortization of restricted stock and long-term incentive plan awards	3,616	—	355	—	—	—	355
Cash dividends	—	—	(17,299)	—	—	—	(17,299)
Contributions from noncontrolling interests	—	—	—	—	—	1,667	1,667
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	44	—	—	—	44
Comprehensive income (loss)	—	—	—	6,941	(2,439)	(22)	4,480
Balance, March 31, 2015	48,330,648	\$ 483	\$1,029,280	\$ (34,968)	\$ (6,904)	\$ 4,674	\$992,565
Balance, December 31, 2015	56,879,003	\$ 569	\$1,263,603	\$ (21,998)	\$ (5,475)	\$ 8,171	\$1,244,870
Proceeds from issuance of common stock, net of offering costs	8,130,670	81	286,964	—	—	—	287,045
Amortization of restricted stock and long-term incentive plan awards	1,989	—	357	—	—	—	357
Cash dividends	—	—	(23,392)	—	—	—	(23,392)
Contributions from noncontrolling interests	—	—	—	—	—	3,571	3,571
Purchase of noncontrolling interests	—	—	(1,706)	—	—	(2,409)	(4,115)
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	(722)	—	—	—	(722)
Comprehensive income (loss)	—	—	—	16,669	(3,446)	(57)	13,166
Balance, March 31, 2016	65,011,662	\$ 650	\$1,525,104	\$ (5,329)	\$ (8,921)	\$ 9,276	\$1,520,780

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)

	Three Months Ended March 31,	
	2016	2015
Operating activities:		
Net income	\$16,805	\$7,147
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,516	15,866
Loss on disposal of assets	7	—
Gain on sale of collegiate housing properties	(11,873)	—
Noncash rent expense related to the straight-line adjustment for long-term ground leases	1,187	1,201
Loss on extinguishment of debt	9,920	—
Amortization of deferred financing costs	480	516
Amortization of unamortized debt premiums	(49)	(207)
Distributions of earnings from unconsolidated entities	—	44
Noncash compensation expense related to stock-based incentive awards	827	671
Equity in losses of unconsolidated entities	244	194
Change in operating assets and liabilities (net of acquisitions)	2,486	3,397
Net cash provided by operating activities	37,550	28,829
Investing activities:		
Property acquisitions	(24,357)	—
Purchase of corporate assets	(263)	(257)
Restricted cash	854	1,193
Investment in collegiate housing properties	(4,521)	(2,884)
Proceeds from sale of collegiate housing properties	54,107	—
Advances under notes receivable	—	(1,717)
Collections on notes receivable	1,667	—
Earnest money deposits	(735)	(200)
Investment in assets under development	(64,975)	(43,781)
Distributions from unconsolidated entities	121	—
Investments in unconsolidated entities	—	(53)
Net cash used in investing activities	(38,102)	(47,699)

See accompanying notes to the condensed consolidated financial statements.

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	Three Months Ended March 31,	
	2016	2015
Financing activities:		
Payment of mortgage loans	(98,384)	(33,986)
Borrowings under construction loans	12,444	15,544
Debt issuance costs	(55)	(39)
Debt extinguishment costs	(10,290)	—
Borrowings on line of credit	—	48,000
Proceeds from issuance of common stock	286,611	10,569
Payment of offering costs	(307)	(29)
Purchase and return of equity to noncontrolling interests	(7,025)	—
Contributions from noncontrolling interests	3,571	1,693
Dividends and distributions paid to common and restricted stockholders	(23,392)	(17,299)
Dividends and distributions paid to noncontrolling interests	(200)	(115)
Repurchases of common stock for payments of restricted stock tax withholding	(315)	(213)
Net cash provided by financing activities	162,658	24,125
Net increase in cash and cash equivalents	162,106	5,255
Cash and cash equivalents, beginning of period	33,742	18,385
Cash and cash equivalents, end of period	\$195,848	\$23,640
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$2,285	\$3,287
Income taxes paid	\$3	\$—
Supplemental disclosure of noncash activities:		
Redemption of redeemable noncontrolling interests from unit holder to shares of common stock	\$938	\$960
Capital expenditures in accounts payable and accrued expenses related to developments	\$25,059	\$24,939

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)

	March 31, 2016	December 31, 2015
Assets:		
Collegiate housing properties, net	\$1,744,189	\$1,774,796
Assets under development	185,328	117,384
Cash and cash equivalents	195,848	33,742
Restricted cash	8,930	9,784
Other assets	63,005	66,125
Total assets	\$2,197,300	\$2,001,831
Liabilities:		
Mortgage and construction loans, net of unamortized premium and deferred financing costs	\$118,266	\$204,511
Unsecured revolving credit facility	—	—
Unsecured term loans, net of unamortized deferred financing costs	186,581	186,518
Unsecured senior notes, net of unamortized deferred financing costs	247,743	247,678
Accounts payable and accrued expenses	93,459	85,670
Deferred revenue	19,795	19,024
Total liabilities	665,844	743,401
Commitments and contingencies (see Note 7)	—	—
Redeemable limited partner units	8,114	8,312
Redeemable noncontrolling interests	2,562	5,248
Partners' capital:		
General partner - 6,920 units outstanding as of March 31, 2016 and December 31, 2015, respectively	184	184
Limited partners - 65,004,742 and 56,872,083 units issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	1,520,241	1,241,990
Accumulated other comprehensive loss	(8,921)	(5,475)
Total partners' capital	1,511,504	1,236,699
Noncontrolling interests	9,276	8,171
Total partners' capital	1,520,780	1,244,870
Total liabilities and partners' capital	\$2,197,300	\$2,001,831

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 March 31,	
	2016	2015
Revenues:		
Collegiate housing leasing revenue	\$70,183	\$60,383
Third-party development consulting services	483	597
Third-party management services	894	1,053
Operating expense reimbursements	1,819	2,096
Total revenues	73,379	64,129
Operating expenses:		
Collegiate housing leasing operations	24,889	24,140
Development and management services	2,521	2,702
General and administrative	3,109	2,639
Depreciation and amortization	17,516	15,866
Ground lease expense	3,309	2,848
Reimbursable operating expenses	1,819	2,096
Total operating expenses	53,163	50,291
Operating income	20,216	13,838
Nonoperating (income) expenses:		
Interest expense	4,663	5,941
Amortization of deferred financing costs	480	516
Interest income	(74)	(38)
Loss on extinguishment of debt	9,920	—
Total nonoperating expenses	14,989	6,419
Income before equity in losses of unconsolidated entities, income taxes and gain on sale of collegiate housing properties	5,227	7,419
Equity in losses of unconsolidated entities	(244)	(194)
Income before income taxes and gain on sale of collegiate housing properties	4,983	7,225
Income tax expense	51	78
Income before gain on sale of collegiate housing properties	4,932	7,147
Gain on sale of collegiate housing properties	11,873	—
Net income	16,805	7,147
Less: Net income attributable to the noncontrolling interests	78	166
Net income attributable to Education Realty Operating Partnership	\$16,727	\$6,981

See accompanying notes to the condensed consolidated financial statements.

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	Three Months Ended March 31,	
	2016	2015
Comprehensive income:		
Net income	\$16,805	\$7,147
Other comprehensive income:		
Loss on cash flow hedging derivatives	(3,446)	(2,439)
Comprehensive income	13,359	4,708
Less: Comprehensive income attributable to the noncontrolling interests	78	166
Comprehensive income attributable to unitholders	\$13,281	\$4,542
Earnings per unit information:		
Net income attributable to unitholders – basic and diluted	\$0.27	\$0.14
Weighted average units outstanding:		
Weighted average units outstanding – basic	62,894	48,432
Weighted average units outstanding – diluted	62,963	48,501

See accompanying notes to the condensed consolidated financial statements.

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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, 2014	6,920	\$ 191	47,992,507	\$993,063	\$ (4,465)	\$ 3,029	\$991,818
Issuance of units in exchange for contributions of equity offering proceeds and redemption of units	—	—	327,605	11,500	—	—	11,500
Amortization of restricted stock and long-term incentive plan awards	—	—	3,616	355	—	—	355
Distributions	—	(2)	—	(17,297)	—	—	(17,299)
Contributions from noncontrolling interests	—	—	—	—	—	1,667	1,667
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	—	44	—	—	44
Comprehensive income (loss)	—	1	—	6,940	(2,439)	(22)	4,480
Balance, March 31, 2015	6,920	\$ 190	48,323,728	\$994,605	\$ (6,904)	\$ 4,674	\$992,565
Balance, December 31, 2015	6,920	\$ 184	56,872,083	\$1,241,990	\$ (5,475)	\$ 8,171	\$1,244,870
Issuance of units in exchange for contributions of equity offering proceeds and redemption of units	—	—	8,130,670	287,045	—	—	287,045
Amortization of restricted stock and long-term incentive plan awards	—	—	1,989	357	—	—	357
Distributions	—	(3)	—	(23,389)	—	—	(23,392)
Contributions from noncontrolling interests	—	—	—	—	—	3,571	3,571
Purchase of noncontrolling interests	—	—	—	(1,706)	—	(2,409)	(4,115)
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	—	(722)	—	—	(722)
Comprehensive income (loss)	—	3	—	16,666	(3,446)	(57)	13,166
Balance, March 31, 2016	6,920	\$ 184	65,004,742	\$1,520,241	\$ (8,921)	\$ 9,276	\$1,520,780

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)

	Three Months Ended March 31,	
	2016	2015
Operating activities:		
Net income	\$16,805	\$7,147
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,516	15,866
Loss on disposal of assets	7	—
Gain on sale of collegiate housing properties	(11,873)	—
Noncash rent expense related to the straight-line adjustment for long-term ground leases	1,187	1,201
Loss on extinguishment of debt	9,920	—
Amortization of deferred financing costs	480	516
Amortization of unamortized debt premiums	(49)	(207)
Distributions of earnings from unconsolidated entities	—	44
Noncash compensation expense related to stock-based incentive awards	827	671
Equity in losses of unconsolidated entities	244	194
Change in operating assets and liabilities (net of acquisitions)	2,486	3,397
Net cash provided by operating activities	37,550	28,829
Investing activities:		
Property acquisitions	(24,357)	—
Purchase of corporate assets	(263)	(257)
Restricted cash	854	1,193
Investment in collegiate housing properties	(4,521)	(2,884)
Proceeds from sale of collegiate housing properties	54,107	—
Advances under notes receivable	—	(1,717)
Collections on notes receivable	1,667	—
Earnest money deposits	(735)	(200)
Investment in assets under development	(64,975)	(43,781)
Distributions from unconsolidated entities	121	—
Investments in unconsolidated entities	—	(53)
Net cash used in investing activities	(38,102)	(47,699)
Financing activities:		
Payment of mortgage loans	(98,384)	(33,986)
Borrowings under construction loans	12,444	15,544
Debt issuance costs	(55)	(39)
Debt extinguishment costs	(10,290)	—
Borrowings on line of credit	—	48,000
Proceeds from issuance of common units in exchange for contributions	286,611	10,569
Payment of offering costs	(307)	(29)
Purchase and return of equity to noncontrolling interests	(7,025)	—
Contributions from noncontrolling interests	3,571	1,693

See accompanying notes to the condensed consolidated financial statements.

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	Three Months Ended March 31,	
	2016	2015
Distributions paid on unvested restricted stock and long-term incentive plan awards	(69)	(8)
Distributions paid to unitholders	(23,323)	(17,291)
Distributions paid to noncontrolling interests	(200)	(115)
Repurchases of units for payments of restricted stock tax withholding	(315)	(213)
Net cash provided by financing activities	162,658	24,125
Net increase in cash and cash equivalents	162,106	5,255
Cash and cash equivalents, beginning of period	33,742	18,385
Cash and cash equivalents, end of period	\$195,848	\$23,640
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	\$2,285	\$