

KOGER EQUITY INC  
Form 10-Q  
November 13, 2001

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**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 quarterly period ended **September 30, 2001** 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 **1-9997**

**KOGER EQUITY, INC.**

(Exact name of registrant as specified in its charter)

**FLORIDA**

**59-2898045**

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

**433 PLAZA REAL, SUITE 335  
BOCA RATON, FLORIDA**

**33432**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(561) 395-9666**

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

Class	Outstanding at October 31, 2001
Common Stock, \$.01 par value	26,811,299 shares

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**INDEPENDENT ACCOUNTANTS REPORT**

To the Board of Directors and Shareholders of  
Koger Equity, Inc.  
Jacksonville, Florida

We have reviewed the accompanying condensed consolidated balance sheet of Koger Equity, Inc. and subsidiaries (the Company) as of September 30, 2001 and the related condensed consolidated statements of operations for the three and nine month periods ended September 30, 2001 and 2000, the condensed consolidated statement of changes in shareholders' equity for the nine month period ended September 30, 2001 and the condensed consolidated statements of cash flows for the nine month periods ended September 30, 2001 and 2000. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

As described in Note 8 to the condensed consolidated financial statements, the Company has entered into an agreement to sell 3.9 million of rentable square feet to AREIF Realty Trust, an affiliate of Apollo Real Estate Advisors, L.P., a significant shareholder.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company as of December 31, 2000, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 23, 2001, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2000 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP  
Certified Public Accountants

West Palm Beach, Florida  
October 26, 2001

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**KOGER EQUITY, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited See Independent Accountants Report)**  
**(In thousands)**

	<u>September</u>	<u>December</u>
	30,	31,
	2001	2000
<b>ASSETS</b>		
Real Estate Investments:		
Operating properties:		
Land		
\$140,448	\$138,214	
Buildings		
831,406	805,935	
Furniture and equipment		
3,228	2,631	
Accumulated depreciation		
(180,983)	(155,817)	
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Operating properties net		
794,099	790,963	
Properties under construction:		
Land		
2,128		
Buildings		
12,023		
Undeveloped land held for investment		
13,899	13,899	
Undeveloped land held for sale, net of allowance		
76	76	
Cash and cash equivalents		
9,140	1,615	
Accounts receivable, net of allowance for uncollectible accounts of \$787 and \$584		
12,338	13,232	
Investment in Koger Realty Services, Inc.		
2,533		

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Cost in excess of fair value of net  
assets acquired, net of accumulated  
amortization of \$1,323 and \$1,195

1,232 1,360

Other assets

13,997 13,193

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**TOTAL ASSETS**

\$844,781 \$851,022

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**LIABILITIES AND  
SHAREHOLDERS EQUITY**

Liabilities:

Mortgages and loans payable

\$337,879 \$343,287

Accounts payable

3,090 4,961

Accrued real estate taxes payable

9,491 4,175

Accrued liabilities other

8,969 10,562

Dividends payable

9,381 9,392

Advance rents and security deposits

6,489 7,014

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Total Liabilities

375,299 379,391

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Minority interest

23,132 23,138



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Shareholders equity:

Common stock	296	296
Capital in excess of par value	469,010	468,277
Notes receivable from stock sales	(5,066)	(6,250)
Retained earnings	17,460	20,261
Treasury stock, at cost	(35,350)	(34,091)

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Total Shareholders Equity	446,350	448,493
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<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	\$844,781	\$851,022
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See Notes to Unaudited Condensed Consolidated Financial Statements.

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**KOGER EQUITY, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited See Independent Accountants Report)**  
**(In thousands, except per share data)**

	Three Month Period Ended September 30,		Nine Month Period Ended September 30,	
	2001	2000	2001	2000
<b>REVENUES</b>				
Rental and other rental services	\$42,243	\$40,750	\$125,462	\$124,287
Management fees	1,074	604	3,530	1,255
Interest	154	229	596	478
Income from Koger Realty Services, Inc.	191	81	352	
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Total revenues	43,471	41,774	129,669	126,372
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**EXPENSES**

Property operations	15,591	16,267	46,749	47,964
Depreciation and amortization	9,844	8,760	27,834	25,886
Mortgage and loan interest	6,316	6,882	19,379	20,559
General and administrative	2,276	2,001	6,148	16,088
Direct cost of management fees				

798 309 2,658 607  
Other  
60 55 171 191

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Total expenses  
34,885 34,274 102,939 111,295

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**INCOME BEFORE GAIN ON SALE OR  
DISPOSITION OF ASSETS, INCOME TAXES  
AND MINORITY INTEREST**

8,586 7,500 26,730 15,077  
Gain on sale or disposition of assets  
2,033 6,437

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**INCOME BEFORE INCOME TAXES AND  
MINORITY INTEREST**

8,586 9,533 26,730 21,514  
Income taxes  
257 (174) 449 (19)

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**INCOME BEFORE MINORITY INTEREST**

8,329 9,707 26,281 21,533

Minority interest

323 361 937 992

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**NET INCOME**

\$8,006 \$9,346 \$25,344 \$20,541

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**EARNINGS PER SHARE:**

Basic

\$0.30 \$0.35 \$0.94 \$0.77

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Diluted

\$0.30 \$0.35 \$0.94 \$0.76

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**WEIGHTED AVERAGE SHARES:**

Basic

26,865 26,710 26,872 26,707

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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Diluted  
26,912 26,920 26,888 26,991

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\_\_\_\_\_  
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See Notes to Unaudited Condensed Consolidated Financial Statements.

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**KOGER EQUITY, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN**  
**SHAREHOLDERS' EQUITY**  
**(Unaudited See Independent Accountants Report)**  
**(In thousands)**

	Common Stock		Notes			Total	
	Shares Issued	Par Value	Capital in Excess of Par Value	Receivable from Stock Sales	Retained Earnings		Treasury Stock
Balance, December 31, 2000	29,559	\$296	\$468,277	\$(6,250)	\$20,261	\$(34,091)	\$448,493
Common stock sold	94	105	199				
Stock loan repayments	1,184	(1,364)	(180)				
Options exercised	48	639	639				
Dividends declared		(28,145)	(28,145)				
Net Income		25,344	25,344				

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Balance, September 30, 2001  
 29,607 \$296 \$469,010 \$(5,066) \$17,460 \$(35,350) \$446,350

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See Notes to Unaudited Condensed Consolidated Financial Statements.

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**KOGER EQUITY, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited See Independent Accountants Report)**  
**(In thousands)**

	<b>Nine Month Period Ended September 30,</b>	
	<b>2001</b>	<b>2000</b>
<b>OPERATING ACTIVITIES</b>		
Net income	\$25,344	\$20,541
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	27,834	25,886
Income from Koger Realty Services, Inc.	(81)	(352)
Provision for uncollectible accounts	1,108	622
Minority interest	937	992
Gain on sale or disposition of assets	(6,437)	
Changes in assets and liabilities:		
Increase (decrease) in accounts payable, accrued liabilities and other liabilities	395	(3,014)
Increase in receivables and other assets	(1,305)	(891)
Net cash provided by operating activities	54,232	37,347

**INVESTING ACTIVITIES**



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Property acquisitions

(10)

Building and land construction  
expenditures

(2,025) (12,075)

Tenant improvements to first  
generation space

(3,734) (3,361)