

NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP  
Form 10-Q  
November 09, 2009

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**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, 2009

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 0-12138

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**New England Realty Associates Limited Partnership**

(Exact name of registrant as specified in its charter)

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**Massachusetts**

(State or other jurisdiction of incorporation or organization)

**04-2619298**

(I.R.S. employer identification no.)

**39 Brighton Avenue,  
Allston, Massachusetts**

(Address of principal executive offices)

**02134**

(Zip code)

Registrant's telephone number, including area code: **(617) 783-0039**

**Securities registered pursuant to Section 12(b) of the Act:**

**Depositary Receipts**

(Title of each Class)

**American Stock Exchange**

(Name of each Exchange on which Registered)

**Securities registered pursuant to Section 12(g) of the Act:**

**Class A**

**Limited Partnership Units**

(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No  (the Registrant is not yet required to submit Interactive Data)

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

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

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As of October 26, 2009, there were 105,877 Class A units (1,058,772 Depositary Receipts) 25,146 Class B units of limited partnership units and 1,323 of General Partnership units issued and outstanding.

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**NEW ENGLAND REALTY ASSOCIATES, L.P.**

**PART 1 FINANCIAL INFORMATION**

Item 1. Financial Statements

The accompanying unaudited consolidated balance sheets, statements of income, changes in partners' capital, and cash flows and related notes thereto, have been prepared in accordance with generally accepted accounting principles in the United States of America ( GAAP ) for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission ( SEC ). Accordingly, they do not include all of the disclosures required by GAAP for complete financial statements. The financial statements reflect all adjustments consisting only of normal, recurring adjustments, which are in the opinion of management, necessary for a fair presentation for the interim periods.

The consolidated balance sheet as of December 31, 2008 has been derived from the audited consolidated balance sheet at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

The aforementioned financial statements should be read in conjunction with the notes to the aforementioned financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto included in New England Realty Associates L.P.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

The results of operations for the nine month period ended September 30, 2009 are not necessarily indicative of the results to be expected for the entire fiscal year or any other period.

**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**(Unaudited)**

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|  | September 30, 2009 |              | December 31, 2008 |              |
|--|--------------------|--------------|-------------------|--------------|
| <b>ASSETS</b>  |                    |              |                   |              |
| Rental Properties  | \$                 | 96,471,172   | \$                | 98,560,454   |
| Cash and Cash Equivalents  |                    | 8,035,415    |                   | 10,752,931   |
| Rents Receivable   |                    | 703,037      |                   | 553,392      |
| Real Estate Tax Escrows  |                    | 272,943      |                   | 275,619      |
| Prepaid Expenses and Other Assets  |                    | 2,780,032    |                   | 3,018,714    |
| Deposit on Future Acquisition  |                    | 2,660,500    |                   |              |
| Investments in Unconsolidated Joint Ventures   |                    | 9,860,209    |                   | 11,023,611   |
| Financing and Leasing Fees   |                    | 983,445      |                   | 1,058,736    |
| <b>Total Assets</b>  | \$                 | 121,766,753  | \$                | 125,243,457  |
| <b>LIABILITIES AND PARTNERS' CAPITAL</b>   |                    |              |                   |              |
| Mortgage Notes Payable   | \$                 | 137,547,734  | \$                | 138,160,262  |
| Accounts Payable and Accrued Expenses  |                    | 1,433,129    |                   | 1,592,610    |
| Advance Rental Payments and Security Deposits  |                    | 3,207,461    |                   | 3,207,767    |
| <b>Total Liabilities</b>   |                    | 142,188,324  |                   | 142,960,639  |
| Commitments and Contingent Liabilities (Note 9)  |                    |              |                   |              |
| Partners' Capital 132,346 and 135,251 units outstanding in 2009 and 2008, respectively |                    | (20,421,571) |                   | (17,717,182) |
| <b>Total Liabilities and Partners' Capital</b>   | \$                 | 121,766,753  | \$                | 125,243,457  |

See notes to consolidated financial statements.

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## NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

|   | Three Months Ended<br>September 30, |              | Nine Months Ended<br>September 30, |               |
|---|-------------------------------------|--------------|------------------------------------|---------------|
|   | 2009                                | 2008         | 2009                               | 2008          |
| Revenues  |                                     |              |                                    |               |
| Rental income   | \$ 8,089,673                        | \$ 7,981,479 | \$ 24,634,345                      | \$ 23,778,488 |
| Laundry and sundry income                               | 119,893                             | 95,907       | 312,263                            | 304,905       |
|   | 8,209,566                           | 8,077,386    | 24,946,608                         | 24,083,393    |
| Expenses  |                                     |              |                                    |               |
| Administrative  | 416,398                             | 424,363      | 1,277,745                          | 1,305,968     |
| Depreciation and amortization                           | 1,591,668                           | 1,655,560    | 4,513,165                          | 4,846,979     |
| Management fees   | 334,745                             | 327,079      | 1,011,531                          | 978,507       |
| Operating   | 689,871                             | 784,581      | 3,064,201                          | 3,117,155     |
| Renting   | 262,234                             | 218,896      | 406,363                            | 405,761       |
| Repairs and maintenance                                 | 1,435,264                           | 1,429,528    | 3,580,895                          | 3,653,203     |
| Taxes and insurance                                     | 891,239                             | 867,119      | 2,773,745                          | 2,630,404     |
|   | 5,621,419                           | 5,707,126    | 16,627,645                         | 16,937,977    |
| Income Before Other Income and Discontinued Operations  | 2,588,147                           | 2,370,260    | 8,318,963                          | 7,145,416     |
| Other Income (loss)                                     |                                     |              |                                    |               |
| Interest income   | 15,270                              | 39,357       | 47,861                             | 119,979       |
| Interest expense  | (1,978,591)                         | (1,930,302)  | (5,885,831)                        | (5,725,270)   |
| Casualty loss   |                                     |              |                                    |               |
| Gain(Loss) on the sale of equipment                     | 93                                  |              | (2,726)                            |               |
| Mortgage prepayment penalties                           |                                     |              |                                    | (4,487,706)   |
| (Loss) from investment in unconsolidated joint ventures | (325,614)                           | (300,352)    | (880,902)                          | (765,370)     |
|   | (2,288,842)                         | (2,191,297)  | (6,721,598)                        | (10,858,367)  |
| Income (loss) from Continuing Operations                | 299,305                             | 178,963      | 1,597,365                          | (3,712,951)   |
| Discontinued Operations                                 |                                     |              |                                    |               |
| Gain on the sale of real estate                         |                                     | 67,650       |                                    | 10,054,392    |
| (Loss) from discontinued operations                     |                                     | (22,229)     |                                    | (113,408)     |
|   |                                     | 45,421       |                                    | 9,940,984     |
| Net Income  | \$ 299,305                          | \$ 224,384   | \$ 1,597,365                       | \$ 6,228,033  |
| Income per Unit   |                                     |              |                                    |               |
| Income (loss) before discontinued operations            | \$ 2.26                             | \$ 1.35      | \$ 11.99                           | \$ (26.86)    |
| Income from discontinued operations                     |                                     | 0.34         |                                    | 71.92         |
| Net Income per Unit                                     | \$ 2.26                             | \$ 1.69      | \$ 11.99                           | \$ 45.06      |
| Weighted Average Number of Units Outstanding            | 132,556                             | 132,979      | 133,175                            | 138,224       |

See notes to consolidated financial statements.



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## NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS CAPITAL

(UNAUDITED)

|                            | Unit    |         |             |          |          |          | Partner s Capital |                |              |                 |
|----------------------------|---------|---------|-------------|----------|----------|----------|-------------------|----------------|--------------|-----------------|
|                            | Limited |         | General     |          | Treasury |          | Limited           |                | General      |                 |
|                            | Class A | Class B | Partnership | Subtotal | Units    | Total    | Class A           | Class B        | Partnership  | Total           |
| Balance January 1, 2008    | 144,180 | 34,243  | 1,802       | 180,225  | 14,109   | 166,116  | \$ 1,052,816      | \$ 1,531,414   | \$ 80,629    | \$ 2,664,859    |
| Distribution to Partners   |         |         |             |          |          |          | (2,376,778)       | (564,485)      | (29,710)     | (2,970,973)     |
| Stock Buyback              |         |         |             |          | 26,501   | (26,501) | (20,398,884)      | (156,141)      | (8,218)      | (20,563,243)    |
| Stock transfer             |         |         |             |          | 389      | (389)    | 5,027,360         | (4,775,965)    | (251,395)    |                 |
| Net Income                 |         |         |             |          |          |          | 4,982,426         | 1,183,326      | 62,281       | 6,228,033       |
| Balance September 30, 2008 | 144,180 | 34,243  | 1,802       | 180,225  | 40,999   | 139,226  | \$ (11,713,060)   | \$ (2,781,851) | \$ (146,413) | \$ (14,641,324) |
| Balance January 1, 2009    | 144,180 | 34,243  | 1,802       | 180,225  | 44,974   | 135,251  | \$ (14,173,745)   | \$ (3,366,265) | \$ (177,172) | \$ (17,717,182) |
| Distribution to Partners   |         |         |             |          |          |          | (2,229,931)       | (529,609)      | (27,874)     | (2,787,414)     |
| Stock Buyback              |         |         |             |          | 2,905    | (2,905)  | (1,214,734)       | (284,626)      | (14,980)     | (1,514,340)     |
| Net Income                 |         |         |             |          |          |          | 1,277,892         | 303,499        | 15,974       | 1,597,365       |
| Balance September 30, 2009 | 144,180 | 34,243  | 1,802       | 180,225  | 47,879   | 132,346  | \$ (16,340,518)   | \$ (3,877,001) | \$ (204,052) | \$ (20,421,571) |

See notes to consolidated financial statements.

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## NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

|  | Nine Months Ended<br>September 30, |             |      |              |
|--|------------------------------------|-------------|------|--------------|
|  | 2009                               |             | 2008 |              |
| Cash Flows from Operating Activities   |                                    |             |      |              |
| Net income   | \$                                 | 1,597,365   | \$   | 6,228,033    |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities |                                    |             |      |              |
| Depreciation and amortization  |                                    | 4,513,165   |      | 4,846,979    |
| Loss from investment in joint ventures   |                                    | 880,902     |      | 765,370      |
| Loss on the sale of equipment  |                                    | 2,726       |      |              |
| Income from the sale of real estate from discontinued operations                           |                                    |             |      | (10,054,392) |
| Changes in operating assets and liabilities  |                                    |             |      |              |
| (Increase) in rents receivable   |                                    | (149,645)   |      | (116,574)    |
| (Decrease) in accounts payable and accrued expense   |                                    | (159,481)   |      | (95,075)     |
| Decrease in real estate tax escrow   |                                    | 2,676       |      | 197,793      |
| (Increase) Decrease in prepaid expenses and other assets                                   |                                    | 238,682     |      | (2,299,487)  |
| (Increase) in advance rental payments and security deposits                                |                                    | (306)       |      | (50,082)     |
| Total Adjustments  |                                    | 5,328,719   |      | (6,805,468)  |
| Net cash provided by (used in) operating activities  |                                    | 6,926,084   |      | (577,435)    |
| Cash Flows provided by (used in) Investing Activities                                      |                                    |             |      |              |
| Net proceeds from the sale of equipment  |                                    | 13,733      |      |              |
| Net proceeds from the sale of rental properties  |                                    |             |      | 7,423,853    |
| Proceeds from joint ventures   |                                    | 282,500     |      | 2,835,000    |
| Deposit on future acquisition  |                                    | (2,660,500) |      |              |
| Purchase and improvement of rental properties  |                                    | (2,346,364) |      | (2,250,301)  |
| Net cash provided by (used in) investing activities  |                                    | (4,710,631) |      | 8,008,552    |
| Cash Flows provided by (used in) Financing Activities                                      |                                    |             |      |              |
| Payment of mortgage notes payable  |                                    |             |      | (3,224,419)  |
| Payment of financing costs   |                                    | (18,687)    |      | (867,377)    |
| Principal payments of mortgage notes payable   |                                    | (612,528)   |      | (566,493)    |
| Stock buyback  |                                    | (1,514,340) |      | (20,563,243) |
| Proceeds of mortgage notes payable   |                                    |             |      | 27,127,100   |
| Distributions to partners  |                                    | (2,787,414) |      | (2,970,973)  |
| Net cash provided by (used in) financing activities  |                                    | (4,932,969) |      | (1,065,405)  |
| Net (Decrease) Increase in Cash and Cash Equivalents                                       |                                    | (2,717,516) |      | 6,365,712    |
| Cash and Cash Equivalents, at beginning of period  |                                    | 10,752,931  |      | 6,890,525    |
| Cash and Cash Equivalents, at end of period  | \$                                 | 8,035,415   | \$   | 13,256,237   |

See notes to consolidated financial statements.

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**NEW ENGLAND REALTY ASSOCIATES LIMITED PARTNERSHIP AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2009**

**(UNAUDITED)**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

*Line of Business:* New England Realty Associates Limited Partnership ( NERA or the Partnership ) was organized in Massachusetts in 1977. NERA and its subsidiaries own and operate various residential apartment buildings, condominium units and commercial properties located in Massachusetts and New Hampshire. NERA has also made investments in other real estate partnerships and has participated in other real estate-related activities, primarily located in Massachusetts.

*Accounting Standards:* On July 1, 2009, the Financial Accounting Standards Board ( FASB ) issued the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, also known as FASB Accounting Standards Codification ( ASC ) 105-10, General Accepted Accounting Principles ( ASC 105-10 ). ASC 105-10 established the FASB Accounting Standards Codification ( Codification ) as the single source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ( SEC ) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification supersedes all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative. Following the Codification, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates, which will serve to update the Codification, provide background information about the guidance and provide the basis for conclusions on the changes to the Codification. GAAP was not intended to be changed as a result of the FASB's Codification project, but it will change the way the guidance is organized and presented. As a result, these changes will have a significant impact on how companies reference GAAP in their financial statements and in their accounting policies for financial statements issued for interim and annual periods ending after September 15, 2009. The Partnership has implemented the Codification in this quarterly report by providing references to the Codification topics, as appropriate.

*Principles of Consolidation:* The consolidated financial statements include the accounts of NERA and its subsidiaries. NERA has a 99.67% to 100% ownership interest in each subsidiary except for the eight limited liability companies (the Investment Properties or Joint Ventures ) in which the Partnership has a 50% ownership interest. The consolidated group is referred to as the Partnerships. Minority interests are not recorded, since they are insignificant. All significant intercompany accounts and transactions are eliminated in consolidation. The Partnership accounts for its investment in the above-mentioned Investment Properties using the equity method of consolidation. (See Note 14: Investments in Unconsolidated Joint Ventures).

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The Partnership accounts for its investments in joint ventures using the equity method of accounting. These investments are recorded initially at cost, as Investments in Unconsolidated Joint Ventures, and subsequently adjusted for equity in earnings and cash contributions and distributions.

The authoritative guidance on consolidation provides guidance on the identification of entities for which control is achieved through means other than voting rights ( variable interest entities or VIEs ) and the determination of which business enterprise, if any, should consolidate the VIE (the primary beneficiary ). Generally, the consideration of whether an entity is a VIE applies when either (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest, (2) the equity investment at risk is insufficient to finance that entity s activities without additional subordinated financial support or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest.

*Impairment:* On an annual basis management assesses whether there are any indicators that the value of the Partnership s rental properties or investments in unconsolidated subsidiaries may be impaired. A property s value is impaired only if management s estimate of the aggregate future cash flows (undiscounted and without interest charges) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the property over the fair value of the property. The Company s estimates of aggregate future cash flows expected to be generated by each property are based on a number of assumptions that are subject to

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economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates, and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the future cash flows estimated by management in its impairment analyses may not be achieved. The Partnership has not recognized an impairment loss since 1995.

*Accounting Estimates:* The preparation of the financial statements, in conformity with accounting principles generally accepted in the United State of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

*Revenue Recognition:* Rental income from residential and commercial properties is recognized over the term of the related lease. For residential tenants, amounts 60 days in arrears are charged against income. The commercial tenants are evaluated on a case by case basis. Certain leases of the commercial properties provide for increasing stepped minimum rents, which are accounted for on a straight-line basis over the term of the lease. Concessions made on residential leases are also accounted for on the straight-line basis.

*Rental Properties:* Rental properties are stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense as incurred; improvements and additions are capitalized. When assets are retired or otherwise disposed of, the cost of the asset and related accumulated depreciation is eliminated from the accounts, and any gain or loss on such disposition is included in income. Fully depreciated assets are removed from the accounts. Rental properties are depreciated by both straight-line and accelerated methods over their estimated useful lives. Significant acquisitions with long term leases are evaluated to determine if a portion of the purchase price is allocable to intangibles such as non market rate rents.

In the event that facts and circumstances indicate that the carrying value of a rental property may be impaired, an analysis of the value is prepared. The estimated future undiscounted cash flows are compared to the asset's carrying value to determine if a write-down to fair value is required.

*Financing and Leasing Fees:* Financing fees are capitalized and amortized, using the interest method, over the life of the related mortgages. Leasing fees are capitalized and amortized on a straight-line basis over the life of the related lease. Unamortized balances are expensed when the corresponding fee is no longer applicable.

*Income Taxes:* The financial statements have been prepared on the basis that NERA and its subsidiaries are entitled to tax treatment as partnerships. Accordingly, no provision for income taxes has been recorded.

*Cash Equivalents:* The Partnership considers cash equivalents to be all highly liquid instruments purchased with a maturity of three months or less.

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*Segment Reporting:* Operating segments are revenue-producing components of the Partnership for which separate financial information is produced internally for management. Under the definition, NERA operated, for all periods presented, as one segment.

*Comprehensive Income:* Comprehensive income is defined as changes in partners' equity, exclusive of transactions with owners (such as capital contributions and dividends). NERA did not have any comprehensive income items in 2009 or 2008 other than net income as reported.

*Income Per Unit:* Net income per unit has been calculated based upon the weighted average number of units outstanding during each period presented. The Partnership has no dilutive units and, therefore, basic net income is the same as diluted net income per unit (see Note 7).

*Concentration of Credit Risks and Financial Instruments:* The Partnership's properties are located in New England, and the Partnership is subject to the general economic risks related thereto. No single tenant accounted for more than 5% of the Partnership's revenues in 2009 or 2008. The Partnership makes its temporary cash investments with high-credit-quality financial institutions. At September 30, 2009, substantially all of the Partnership's cash and cash equivalents were held in interest-bearing accounts at financial institutions, earning interest at rates from 0.05 % to 1.44 %. At September 30, 2009 and December 31, 2008, respectively approximately \$4,723,000 and \$10,300,000 of cash and cash equivalents, and cash included in prepaid expenses and other assets exceeded federally insured amounts.

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*Advertising Expense:* Advertising is expensed as incurred. Advertising expense was \$58,884 and \$80,224 for the nine months ended September 30, 2009 and 2008, respectively.

*Discontinued Operations and Rental Property Held for Sale:* When assets are identified by management as held for sale, the Partnership discontinues depreciating the assets and estimates the sales price, net of selling costs, of such assets. If, in management's opinion, the net sales price of the assets which have been identified as held for sale is less than the net book value of the assets, a valuation allowance is established. Properties identified as held for sale and/or sold are presented in discontinued operations for all periods presented.

If circumstances arise that previously were considered unlikely and, as a result, the Partnership decides not to sell a property previously classified as held for sale, the property is reclassified as held and used. A property that is reclassified is measured and recorded individually at the lower of (a) its carrying amount before the property was classified as held for sale, adjusted for any depreciation (amortization) expense that would have been recognized had the property been continuously classified as held and used, or (b) the fair value at the date of the subsequent decision not to sell.

*Interest Capitalized:* The Partnership follows the policy of capitalizing interest as a component of the cost of rental property when the time of construction exceeds one year. During the nine months ended September 30, 2009 and the year ended December 31, 2008, there was no capitalized interest.

*Extinguishment of Debt:* When existing mortgages are refinanced with the same lender and it is determined that the refinancing is substantially different then they will be recorded as an extinguishment of debt. However if it is determined that the refinancing is substantially the same then they will be recorded as an exchange of debt. All refinancings qualify as extinguishment of debt.

*Reclassifications:* Certain reclassifications have been made to prior period amounts in order to conform to current period presentation.

*Subsequent Events:* The Partnership has evaluated subsequent events through November 6, 2009, the date the financial statements were issued.

**NOTE 2. RENTAL PROPERTIES**

As of September 30, 2009, the Partnership and its Subsidiary Partnerships owned 2,269 residential apartment units in 19 residential and mixed-use complexes (collectively, the Apartment Complexes). The Partnership also owns 19 condominium units in a residential condominium complex, all of which are leased to residential tenants (collectively referred to as the Condominium Units). The Apartment Complexes and Condominium Units are located primarily in the metropolitan Boston area of Massachusetts.



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Additionally, as of September 30, 2009, the Partnership and Subsidiary Partnerships owned a commercial shopping center in Framingham, commercial buildings in Newton and Brookline and mixed-use properties in Boston, Brockton and Newton, all in Massachusetts. These properties are referred to collectively as the Commercial Properties.

The Partnership also owned a 50% ownership interest in eight residential and mixed use complexes (the Investment Properties ) at September 30, 2009 with a total of 392 units, accounted for using the equity method of consolidation. See Note 14 for summary information on these investments.

Rental properties consist of the following:

|                                     | September 30, 2009 |              | December 31, 2008 |              | Useful Life |
|-------------------------------------|--------------------|--------------|-------------------|--------------|-------------|
| Land, improvements and parking lots | \$                 | 26,017,803   | \$                | 25,997,753   | 15 40 years |
| Buildings and improvements          |                    | 110,748,760  |                   | 110,467,865  | 15 40 years |
| Kitchen cabinets                    |                    | 4,632,843    |                   | 4,254,120    | 5 10 years  |
| Carpets                             |                    | 4,119,496    |                   | 3,650,238    | 5 10 years  |
| Air conditioning                    |                    | 936,633      |                   | 900,610      | 7 10 years  |
| Laundry equipment                   |                    | 470,748      |                   | 216,629      | 5 7 years   |
| Elevators                           |                    | 984,506      |                   | 984,506      | 20 years    |
| Swimming pools                      |                    | 157,489      |                   | 126,275      | 10 years    |
| Equipment                           |                    | 2,284,832    |                   | 1,690,142    | 5 7 years   |
| Motor vehicles                      |                    | 170,445      |                   | 139,453      | 5 years     |
| Fences                              |                    | 163,907      |                   | 163,907      | 5 10 years  |
| Furniture and fixtures              |                    | 1,823,212    |                   | 1,641,487    | 5 7 years   |
| Smoke alarms                        |                    | 127,247      |                   | 111,814      | 5 7 years   |
|                                     |                    | 152,637,921  |                   | 150,344,799  |             |
| Less accumulated depreciation       |                    | (56,166,749) |                   | (51,784,345) |             |
|                                     | \$                 | 96,471,172   | \$                | 98,560,454   |             |

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On January 3, 2008, the Partnership sold the Oak Ridge Apartments, a 61-unit residential apartment complex located in Foxboro, Massachusetts. The sale price was \$7,150,000, which resulted in a gain of approximately \$6,000,000. In November 2007, the Partnership purchased a fully occupied commercial building located in Newton, Massachusetts, known as Linewt LLC. The purchase price was \$3,475,000 and the building consists of 5,850 square feet of commercial space. The Partnership utilized Section 1031 of the IRS code to affect a tax free exchange on the gain of Oak Ridge up to the purchase price of the Newton property. In accordance with Section 1031, the Newton property was owned by a Qualified Intermediary for the period from the purchase date of the Newton property and the sale date of the Foxboro property. The Qualified Intermediary borrowed \$3,225,112 from Harold Brown, Treasurer of the General Partner, to purchase the Newton property. This loan was paid in full, with interest at 6% of \$34,401, from the proceeds of the Oak Ridge sale on January 3, 2008. On January 22, 2008, the Partnership financed the Newton property with a first mortgage of \$1,700,000 at 5.75% interest only until maturity in January 2018.

In April 2008, the Partnership sold the Coach Apartments, a 48 unit residential apartment complex located in Acton, Massachusetts. The sale price was \$4,600,000, which resulted in a gain of approximately \$3,800,000 and recorded in the second quarter of 2008. In October 2008, the Partnership purchased a fully occupied medical office building located in Brookline, Massachusetts, referred to as the Barn. The purchase price of the Barn was \$7,000,000 and it consists 20,000 square feet of commercial space. The Partnership utilized Section 1031 of the IRS code to affect a tax free exchange on the gain of Coach up to the purchase price of the Barn. This acquisition was funded from the assumption of the existing mortgage of approximately \$4,000,000, the cash from the sale of Coach of approximately \$2,600,000, and the balance of \$400,000 was funded from cash reserves.

As more fully described in Note 3, the Partnership sold the five condominiums located in Brookline, Massachusetts in 2008. The net proceeds from the sale of the five units were approximately \$740,000 which resulted in a gain of approximately \$240,000, which is included in gain from the sale of rental properties in the second and third quarter of 2008.

**NOTE 3. RELATED PARTY TRANSACTIONS**

The Partnership's properties are managed by an entity that is owned by the majority shareholder of the General Partner. The management fee is equal to 4% of rental revenue and laundry income. Total fees paid were approximately \$1,012,000 and \$976,000 during the nine months ended September 30, 2009 and 2008, respectively.

The Partnership Agreement permits the General Partner or management company to charge the costs of professional services (such as counsel, accountants and contractors) to NERA. During the nine months ended September 30, 2009 and 2008, approximately \$597,000 and \$412,000 was charged to NERA for legal, accounting, construction, maintenance, rental and architectural services and supervision of capital improvements. Of the 2009 expenses referred to above, approximately \$310,000 consisted of repairs and maintenance and \$250,000 of administrative expense. Approximately \$37,000 of expenses for construction, architectural services and supervision of capital projects were capitalized in rental properties. Additionally in 2009, the Hamilton Company received approximately \$301,000 from the Investment Properties of which approximately \$201,000 was the management fee, approximately \$3,800 was for construction supervision and architectural fees, approximately \$79,000 was for maintenance services and approximately \$17,000 was for administrative services.

On January 1, 2004, all employees were transferred to the management company's payroll. The Partnership reimburses the management company for the payroll and related expenses of the employees who work at the properties. Total reimbursement was approximately \$1,680,000 and \$1,672,000 for the nine months ended September 30, 2009 and 2008, respectively. The Management Company maintains a 401K plan for all eligible employees whereby the employees may contribute the maximum allowed by law. The plan also provides for discretionary contributions by the employer. There were no employer contributions in 2009 and 2008.

In 1996, prior to becoming an employee and President of the Management Company, the current President of the Management Company performed asset management consulting services to the Partnership. This individual continues to

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perform this service and receives an asset management fee from the Partnership, receiving \$37,500 during the nine months ended September 30, 2009 and 2008.

The Partnership has invested in eight limited partnerships, which have invested in mixed use residential apartment complexes. The Partnership has a 50% ownership interest in each investment. The other investors are Harold Brown, the President of the Management Company and five other employees of the Management Company. Harold Brown's ownership interest is between 43.2% and 47.5%, with the balance of 6.8% and 2.5% owned by others. See Note 14 for a description of the properties and their operations.

On June 30, 2003, the Partnership purchased five condominium units in a 42-unit building located in Brookline, Massachusetts. These were purchased from Harvard 45 Associates LLC ( "Harvard 45" ) which is owned 70% by the 75% shareholder and treasurer of the General Partner, and 5% by the President of Hamilton. The total purchase price for these condominiums was approximately \$2,416,000 and was approved both by the Partnership's Advisory Committee and the General Partner. Harvard 45 realized a gain of approximately \$648,000 from these sales. Harvard 45 also sold 16 units to unrelated parties; the prices for all 21 units sold were comparable. The Partnership sold all of these units in 2008 and realized a gain of approximately \$240,000. The above mentioned gains are recorded as gain on the sale of real estate from discontinued operations. In addition, the Partnership paid The Hamilton Company or its affiliate approximately \$16,000 in legal fees and approximately \$62,000 in commissions in connection with the sale of these condominiums in 2008.

The above 42-unit condominium building was managed by an entity wholly owned by the 25% shareholder and President of the General Partner. That entity received annual management fees from the five units of approximately \$1,500, and Hamilton reduced its management fees to approximately 2%, so that the total management fee will not exceed the 4% allowed by the Partnership's Partnership Agreement.

In March 2005, the Partnership sold the Middlesex Apartments to an entity wholly owned by the majority shareholder of the General Partner. The selling price was \$6,500,000 which resulted in a capital gain for the Partnership of approximately \$5,800,000 and an increase in the Partnership's cash reserves of approximately \$4,800,000 after paying off the existing \$1,300,000 mortgage, prepayment penalties and other selling expenses. The buyer sold the property as condominium units. An entity 31% owned by the majority shareholder of the General Partner and 5% owned by the President of the management company was the sales agent and received a variable commission of 3% to 5% on each sale. Total commissions paid were approximately \$138,000. Although the buyer assumed the costs and economic risks of converting and selling the condominium units, if the net gain from the sale of these units exceeded \$500,000, the excess were to be split equally between the buyer and Partnership. The last remaining unit was sold in October 2008, which resulted in a gain of approximately \$50,000.

On September 17, 2008, the Partnership completed the issuance of an aggregate of 6,642 Class A Units held in treasury to current holders of Class B and General Partner Units upon the simultaneous retirement to treasury of 6,309 Class B Units and 333 General Partner Units pursuant to an equity distribution plan authorized by the Board of Directors of the General Partner on August 8, 2008 and as further described under Item 3.02 of the Partnership's Current Report on Form 8-K as filed with the Securities and Exchange Commission on September 18, 2008, which is incorporated herein by reference. Harold Brown, the treasurer of the General Partner, owns 75% of the issued and outstanding Class B Units of the Partnership and 75% of the issued and outstanding equity of the General Partner, Ronald Brown, the brother of Harold Brown and the president of the General Partner, owns 25% of the issued and outstanding Class B Units of the Partnership and 25% of the issued and outstanding equity of the General Partner.

In 2008, the Partnership borrowed a total of approximately \$8,510,000 from Harold Brown. Approximately \$5,285,000 was used to repurchase depositary receipts and approximately \$3,225,000 was used to facilitate the purchase of Linewt. These loans were repaid in 2008 with interest of approximately \$72,300.

See Note 17 Subsequent Events for information about a \$7.8 million loan from HBC Holdings, LLC.

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**NOTE 4. OTHER ASSETS**

Approximately \$1,406,000 and \$1,382,000 of security deposits and prepaid rent deposits are included in prepaid expenses and other assets at September 30, 2009 and December 31, 2008, respectively.

Included in prepaid expenses and other assets at September 30, 2009 and December 31, 2008 is approximately \$791,000 and \$984,000, respectively, held in escrow to fund future capital improvements.

Financing and leasing fees of approximately \$983,000 and \$1,059,000 are net of accumulated amortization of approximately \$449,000 and \$363,000 at September 30, 2009 and December 31, 2008, respectively.

**NOTE 5. MORTGAGE NOTES PAYABLE**

At September 30, 2009 and December 31, 2008, the mortgages payable consisted of various loans, all of which were secured by first mortgages on properties referred to in Note 2. At September 30, 2009, the fixed interest rates on these loans ranged from 4.84% to 8.46%, payable in monthly installments aggregating approximately \$727,000, including principal, to various dates through 2023. The majority of the mortgages are subject to prepayment penalties. At September 30, 2009, the weighted average interest rate on the above mortgages was 5.63%. The effective rate of 5.72% includes the amortization expense of deferred financing costs. See Note 12 for fair value information.

The Partnerships have pledged tenant leases as additional collateral for certain of these loans.

Approximate annual maturities at September 30, 2009 are as follows:

|                         |    |             |
|-------------------------|----|-------------|
| 2010 current maturities | \$ | 2,560,000   |
| 2011                    |    | 2,781,000   |
| 2012                    |    | 944,000     |
| 2013                    |    | 43,752,000  |
| 2014                    |    | 7,726,000   |
| Thereafter              |    | 79,785,000  |
|                         | \$ | 137,548,000 |

In January 2008, the Partnership obtained a \$1,700,000 mortgage on an unencumbered commercial property in Newton, Massachusetts known as Linewt LLC. The mortgage which matures in January 2018 requires interest only payments at 5.75% for the term of the mortgage.

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In February 2008, the Partnership refinanced ten properties with outstanding 8.44% mortgages of approximately \$37,800,000 with new mortgages totaling \$58,000,000. The new mortgages which mature in February 2023 require interest only payments at interest rates from 5.6% to 5.7%. Deferred costs associated with these mortgages totaled approximately \$710,000 and, accordingly, the effective interest rates are 5.7% to 5.8%. Prepayment penalties of approximately \$3,700,000 were incurred in these transactions. After payment of existing mortgages, prepayment penalties and other costs of the transactions, approximately \$16,000,000 was received by the Partnership.

In April 2008, the Partnership refinanced the property located at 659 Worcester Road with a mortgage balance of approximately \$3,500,000 at 7.84% with a new \$6,000,000 mortgage at 5.97% interest only mortgage which matures in March 2018. Deferred financing costs associated with this mortgage totaled approximately \$86,000 and accordingly the effective interest rate is 6.1%. Prepayment penalties of approximately \$783,000 were incurred in this transaction. After payment of the existing mortgage and prepayment penalties, approximately \$1,700,000 was received by the Partnership.

In June 2008, the Partnership refinanced the Westside Colonial Apartments with a balance of approximately \$4,600,000 maturing in 2008 with interest at a rate of 6.52% with \$7,000,000 at 5.66% interest only mortgage maturing in June 2023. Deferred financing costs associated with this mortgage totaled approximately \$62,000 and accordingly the effective interest rate is 5.8%. Closing costs were approximately \$100,000. There were no prepayment penalties. After payment of the existing mortgage and closing costs, approximately \$2,377,000 was received by the Partnership.

See Note 17 Subsequent Events for refinancing of Linhart Limited Partnership.

Table of Contents**NOTE 6. ADVANCE RENTAL PAYMENTS AND SECURITY DEPOSITS**

The Partnership's residential lease agreements may require tenants to maintain a one-month advance rental payment and/or a security deposit. At September 30, 2009, amounts received for prepaid rents of approximately \$1,426,000 are included in cash and cash equivalents, and security deposits of approximately \$1,406,000 are included in other assets.

**NOTE 7. PARTNERS' CAPITAL**

The Partnership has two classes of Limited Partners (Class A and B) and one category of General Partner. Under the terms of the Partnership Agreement, distributions to holders of Class B Units and General Partnership Units must represent 19% and 1%, respectively, of the total units outstanding. All classes have equal profit sharing and distribution rights, in proportion to their ownership interests.

In 2009 the Partnership approved quarterly distributions of \$7.00 per unit (\$0.70 per receipt) payable on March 31, June 30, and September 30, 2009.

In 2008, the Partnership paid quarterly distributions of \$7.00 per unit (\$0.70 per receipt) in March, June, September, and December for a total distribution of \$28.00 per unit (\$2.80 per receipt).

The Partnership has entered into a deposit agreement with an agent to facilitate public trading of limited partners' interests in Class A Units. Under the terms of this agreement, the holders of Class A Units have the right to exchange each Class A Unit for 10 Depositary Receipts. The following is information per Depositary Receipt:

|   | Nine Months Ended<br>September 30, |      |      |        |
|---|------------------------------------|------|------|--------|
|   | 2009                               |      | 2008 |        |
| Income (loss) per Depositary Receipt before Discontinued Operations | \$                                 | 1.20 | \$   | (2.69) |
| Income from Discontinued Operations                                 |                                    |      |      | 7.19   |
| Net Income per Depositary Receipt after Discontinued Operations     | \$                                 | 1.20 | \$   | 4.50   |
| Distributions per Depositary Receipt                                | \$                                 | 2.10 | \$   | 2.10   |

**NOTE 8. TREASURY UNITS**

Treasury Units at September 30, 2009 are as follows:



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|                     |        |
|---------------------|--------|
| Class A             | 38,303 |
| Class B             | 9,097  |
| General Partnership | 479    |
|                     | 47,879 |

On August 20, 2007, NewReal, Inc., the General Partner authorized an equity repurchase program ( Repurchase Program ) under which the Partnership was permitted to purchase, over a period of twelve months, up to 100,000 Depositary Receipts (each of which is one-tenth of a Class A Unit). On January 15, 2008, the General Partner authorized an increase in the Repurchase Program from 100,000 to 200,000 Depositary Receipts. On January 30, 2008 the General Partner authorized an increase the Repurchase Program from 200,000 to 300,000 Depositary Receipts. On March 6, 2008, the General Partner authorized the increase in the total number of Depositary Receipts that could be repurchased pursuant to the Repurchase Program from 300,000 to 500,000. On August 8, 2008, the General Partner re-authorized and renewed the Repurchase Program for an additional 12-month period ended August 19, 2009. In addition, the General Partner also authorized the expansion of the Repurchase Program to require the Partnership to repurchase a proportionate number of Class B Units and General Partner Units in connection with any repurchases of any Depositary Receipts by the Partnership based upon the 80%, 19% and 1% fixed distribution percentages of the holders of the Class A, Class B and General Partner Units under the Partnership's Second Amended and Restate Contract of Limited Partnership. Repurchases of Depositary Receipts or Partnership Units pursuant to the Repurchase Program may be made by the Partnership from time to time in its sole discretion in open market transactions or in privately negotiated transactions. As of September 30, 2009, the Partnership has repurchased 391,424 Depositary Receipts at an average price of \$74.05 per receipt (or \$740.50 per underlying Class A Unit), 1,560 Class B Units and 82 General Partnership Units, both at an average price of \$580.71 per Unit, totaling approximately \$29,939,000 including brokerage fees paid by the Partnership.

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On September 17, 2008, the Partnership completed the issuance of an aggregate of 6,642 Class A Units held in treasury to current holders of Class B and General Partner Units upon the simultaneous retirement to treasury of 6,309 Class B Units and 333 General Partner Units pursuant to an equity distribution plan authorized by the Board of Directors of the General Partner on August 8, 2008 and as further described under Item 3.02 of the Partnership's Current Report on Form 8-K as filed with the Securities and Exchange Commission on September 18, 2008, which is incorporated herein by reference. Harold Brown, the treasurer of the General Partner, owns 75% of the issued and outstanding Class B Units of the Partnership and 75% of the issued and outstanding equity of the General Partner, Ronald Brown, the brother of Harold Brown and the president of the General Partner, owns 25% of the issued and outstanding Class B Units of the Partnership and 25% of the issued and outstanding equity of the General Partner.

On January 18, 2008, 113,518 Depositary Receipts included above became available to purchase at a price of \$75.50 per receipt. In order for the Partnership to take advantage of this opportunity, the Partnership borrowed \$5,285,000 from Harold Brown, the Treasurer of the General Partner. This loan was paid in full, with interest at 6% of \$37,899, on February 29, 2008.

During the nine months ended September 30, 2009, the Partnership purchased 23,240 receipts for approximately \$1,215,000, 552 Class B Units for approximately \$285,000 and 29 General Partnership units for approximately \$15,000.

As of September 30, 2009, the equity repurchase program described above resulted in the Partnership having a negative Partners' Capital of approximately \$20,422,000.

During the three months ended September 30, 2009, the Partnership purchased 3,500 Depositary Receipts at a price of \$54.00 for a total cost of \$189,000, 83 Class B Units at a price of \$540.00 for a total cost of \$45,000, and 4 General Partnership Units at a price of \$540.00 for a total cost of \$2,400.

**NOTE 9. COMMITMENTS AND CONTINGENCIES**

From time to time, the Partnerships are involved in various ordinary routine litigation incidental to their business. The Partnership either has insurance coverage or has provided for any uninsured claims which, in the aggregate, are not significant. The Partnerships are not involved in any material pending legal proceedings.

**NOTE 10. RENTAL INCOME**

During the nine months ended September 30, 2009, approximately 90% of rental income was related to residential apartments and condominium units with leases of one year or less. The remaining 10% was related to commercial properties, which have minimum future annual rental income on non-cancellable operating leases at September 30, 2009 as follows:

|            | <b>Commercial<br/>Property Leases</b> |            |
|------------|---------------------------------------|------------|
| 2010       | \$                                    | 2,673,000  |
| 2011       |                                       | 2,522,000  |
| 2012       |                                       | 2,073,000  |
| 2013       |                                       | 1,611,000  |
| 2014       |                                       | 1,378,000  |
| Thereafter |                                       | 1,861,000  |
|            | \$                                    | 12,118,000 |

The aggregate minimum future rental income does not include contingent rentals that may be received under various leases in connection with percentage rents, common area charges and real estate taxes. Aggregate contingent rentals from continuing operations were approximately \$443,000 for the nine months ended September 30, 2009 and approximately \$477,000 for the year ended December 31, 2008.

Rents receivable are net of an allowance for doubtful accounts of approximately \$687,000 at September 30, 2009 and approximately \$460,000 at December 31, 2008. Included in rents receivable at September 30, 2009 is approximately \$386,000 resulting from recognizing rental income from non-cancelable commercial leases with future rental increases on a straight-line

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basis. The majority of this amount is for long-term leases with Staples and Trader Joe's at Staples Plaza in Framingham, Massachusetts.

In 2009, rent at the commercial properties includes approximately \$8,500 of amortization of deferred rents arising from the fair values assigned to in-place leases upon the purchase of Cypress Street in Brookline, Massachusetts.

**NOTE 11. CASH FLOW INFORMATION**

During the nine months ended September 30, 2009 and 2008, cash paid for interest was \$5,885,817, and \$5,774,892, respectively.

Non-cash financing activity exchange of depositary receipts for Class B and General Partnership Units in 2008 (Note 8).

**NOTE 12. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following methods and assumptions were used by the Partnership in estimating the fair value of its financial instruments:

- For cash and cash equivalents, other assets, investment in partnerships, accounts payable, advance rents and security deposits: fair value approximates the carrying value of such assets and liabilities.
- For mortgage notes payable: fair value is generally based on estimated future cash flows, which are discounted using the quoted market rate from an independent source for similar obligations. Refer to the table below for the carrying amount and estimated fair value of such instruments.

|                        | Carrying Amount |             | Estimated Fair Value |             |
|------------------------|-----------------|-------------|----------------------|-------------|
| Mortgage Notes Payable |                 |             |                      |             |
| Partnership Properties |                 |             |                      |             |
| At September 30, 2009  | \$              | 137,547,733 | \$                   | 130,486,584 |
| At December 31, 2008   | \$              | 138,160,262 | \$                   | 143,432,532 |
| Investment Properties  |                 |             |                      |             |
| At September 30, 2009  | \$              | 51,500,542  | \$                   | 49,551,650  |

Disclosure about fair value of financial instruments is based on pertinent information available to management as of September 30, 2009 and December 31, 2008. Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since December 31, 2008 and current estimates of fair value may differ significantly from the amounts presented herein.

**NOTE 13. TAXABLE INCOME AND TAX BASIS**

Taxable income reportable by the Partnership and includable in its partners' tax returns is different than financial statement income because of tax free exchanges, accelerated depreciation, different tax lives, and timing differences related to prepaid rents and allowances. Taxable income was approximately \$7,500,000 less than statement income for the year ended December 31, 2008 and approximately \$1,000,000 greater than statement income for the year ended December 31, 2007. The cumulative tax basis of the Partnership's real estate at December 31, 2008 is approximately \$5,000,000 less than the statement basis. The primary reason for the lower taxable income and the lower tax basis is the acquisition of Linewt and Cypress Street utilizing tax free exchanges in 2008. The Partnership's tax basis in its joint venture investments is approximately \$200,000 less than statement basis. The tax free exchanges and mortgage prepayment penalties in 2008 generated substantial tax deductions in 2008, accordingly taxable income in future years may exceed statement income.

**NOTE 14. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES**

Since November 2001, the Partnership has invested in eight limited partnerships, the majority of which has invested in residential apartment complexes, with one partnership investing in commercial property. The Partnership has a 50% ownership

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interest in each investment. The other investors are Harold Brown, the President of the Management Company and five other employees of the Management Company. Harold Brown's ownership interest is between 43.2% and 47.5%, with the balance of 6.8% and 2.5% owned by the others. A description of each investment is as follows:

On October 3, 2005, the Partnership invested \$2,500,000 for a 50% ownership interest in a 168-unit apartment complex in Quincy, Massachusetts. The purchase price was \$30,875,000. The Partnership plans to sell the majority of units as condominium and retain 48 units for long-term investment. Gains from the sales of units will be taxed at ordinary income rates (approximately \$47,000 per unit). In February 2007, the Partnership refinanced the 48 units which will be retained with a new mortgage in the amount of \$4,750,000 with an interest rate of 5.57%, interest only for five years. The loan will be amortized over 30 years thereafter and matures in March 2017. In April 2008, the Partnership refinanced an additional 20 units and obtained a new mortgage in the amount of \$2,368,000 with interest at 5.75%, interest only, which matures in 2013. As of October 26, 2009, the Partnership sold 105 units, the proceeds of which went to pay down the mortgage on the property. The balance on the new mortgage is approximately \$1,668,000 at September 30, 2009. Gain from the sale of units (approximately \$38,000 will be taxed at ordinary income rates. This investment is referred to as Hamilton Bay Apartments, LLC.

On March 7, 2005, the Partnership invested \$2,000,000 for a 50% ownership interest in a building comprising 49 apartments, one commercial space and a 50-car surface parking lot located in Boston, Massachusetts. The purchase price was \$14,300,000, with a \$10,750,000 mortgage. The Partnership plans to operate the building and initiate development of the parking lot. In June 2007, the Partnership separated the parcels, formed an additional limited liability company for the residential apartments and obtained a mortgage on the property. The new limited liability company formed for the residential apartments is referred to as Hamilton Essex 81, LLC. In August 2008, the Partnership restructured the mortgages on both parcels at Essex 81 and transferred the residential apartments to Hamilton Essex 81, LLC. The mortgage on Hamilton Essex 81, LLC is \$8,600,000 with interest only at 5.79% due in August 2015. The mortgage on Essex Development, LLC is \$2,162,000 with a variable interest rate of 2.25% over the daily Libor rate (0.245% at September 30, 2009) and is due in August 2011. Harold Brown has issued a personal guaranty up to \$1,000,000 of this mortgage. In the event that he is obligated to make payments to the lender as a result of this guaranty, the Partnership and other investors have, in turn, agreed to indemnify him for their proportionate share of any such payments. The investment in the parking lot is referred to as Hamilton Essex Development, LLC; the investment in the apartments is referred to as Hamilton Essex 81, LLC.

On March 2, 2005, the Partnership invested \$2,352,000 for a 50% ownership interest in a 176-unit apartment complex with an additional small commercial building located in Quincy, Massachusetts. The purchase price was \$23,750,000. The Partnership plans to sell the majority of units as condominiums and retain 49 units for long-term investment. The Partnership obtained a new 10-year mortgage in the amount of \$5,000,000 on the units to be retained by the Partnership. The interest on the new loan is 5.67% fixed for the 10 year term with interest only payments for five years and amortized over a 30 year period for the balance of the loan term. As of September 30, 2009, all of the 127 units have been sold. Gains from the sales of units (approximately \$60,000 per unit) were taxed at ordinary income rates. This investment is referred to as Hamilton 1025, LLC.

In September 2004, the Partnership invested approximately \$5,075,000 for a 50% ownership interest in a 42-unit apartment complex located in Lexington, Massachusetts. The purchase price was \$10,100,000. In October 2004, the Partnership obtained a mortgage on the property in the amount of \$8,025,000 and returned \$3,775,000 to the Partnership. The Partnership obtained a new 10-year mortgage in the amount of \$5,500,000 in January 2007. The interest on the new loan is 5.67% fixed for the ten year term with interest only payments for five years and amortized over a 30 year period for the balance of the loan. This new loan required a cash contribution by the Partnership of \$1,250,000 in December 2006. The unamortized deferred financing costs of approximately \$30,000 were written off in the first quarter of 2007. This investment is referred to as Hamilton Minuteman, LLC.

In August 2004, the Partnership invested \$8,000,000 for a 50% ownership interest in a 280-unit apartment complex located in Watertown, Massachusetts. The total purchase price was \$56,000,000. As of May 2008, the Partnership sold all of the 137 units as condominiums which

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were located in three buildings. Gains from these sales were taxed as ordinary income (approximately \$50,000 per unit). The majority of the sales proceeds were applied to reduce the mortgage with the final payment made during the second quarter of 2007. With the sale of the units and the payments of the liabilities, the assets will be combined with Hamilton on Main Apartments, LLC. An entity partially owned by the majority shareholder of the General Partner and the President of the management company, 31% and 5%, respectively, was the sales agent and will receive a variable commission on each sale of 3% to 5%. Hamilton on Main, LLC is known as Hamilton Place.

In 2005, Hamilton on Main Apartments, LLC obtained a new ten year mortgage on the three buildings to be retained. The new mortgage is \$16,825,000, with interest only of 5.18% for three years and amortizing on a 30 year schedule for the remaining seven years when the balance is due. The net proceeds after funding escrow accounts and closing costs on the new mortgage were approximately \$16,700,000, which were used to reduce the existing mortgage. Hamilton on Main LLC paid a

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fee of approximately \$400,000 in connection with this early extinguishment of debt. At September 30, 2009, the remaining balance on the mortgage is approximately \$16,461,000.

In November 2001, the Partnership invested approximately \$1,533,000 for a 50% ownership interest in a 40-unit apartment building in Cambridge, Massachusetts. This property has a 12-year mortgage, with a remaining balance at September 30, 2009 of approximately \$7,359,000 at 6.9% which is amortized on a 30-year schedule, with a final payment of approximately \$6,000,000 in 2014. This investment is referred to as 345 Franklin, LLC.

As required by the lender, the Treasurer of the General Partner has provided a limited repayment guaranty equal to fifty percent (50%) of the outstanding balance for the loan on the for sale units at Hamilton Bay and a limited guaranty of \$1,000,000 for the loan on Hamilton Essex Development. In the event that he is obligated to make payments to the lenders as a result of these guaranties, the Partnership and other investors have, in turn, agreed to indemnify him for their proportionate share of any such payments.

**Summary balance sheet as of September 30, 2009 (unaudited)**

|   | Hamilton Essex 81 | Hamilton Essex Development | 345 Franklin     | Hamilton 1025    | Hamilton Bay Sales | Hamilton Bay Apts | Hamilton Minuteman Apts | Hamilton on Main Apts | Hamilton Place Sales | Total             |
|---|-------------------|----------------------------|------------------|------------------|--------------------|-------------------|-------------------------|-----------------------|----------------------|-------------------|
| <b>ASSETS</b>                           |                   |                            |                  |                  |                    |                   |                         |                       |                      |                   |
| Rental Properties                       | 10,304,195        | 2,576,552                  | 9,121,848        | 6,406,791        | 2,111,056          | 8,007,066         | 7,964,514               | 24,125,422            |                      | 70,617,441        |
| Cash & Cash Equivalents                 | 3,959             | 13,547                     | 872              | 3,432            | 12,595             | 526               | 25,485                  | 47,376                |                      | 107,709           |
| Rent Receivable                         | 261               |                            |                  | 2,893            |                    |                   | (4,044)                 | 6,358                 |                      | 5,407             |
| Real Estate Tax Escrow                  | 62,575            |                            | 36,908           | 25,490           |                    | 63,274            | 51,624                  | 97,881                |                      | 337,742           |
| Due From Investment Properties          | 80,000            |                            |                  | 70,000           | 100,000            | 24,000            |                         | 222,000               |                      | 496,000           |
| Prepaid Expenses & Other Assets         | 78,558            | 796                        | 85,015           | 79,725           | 273,366            | 63,860            | 65,947                  | 319,002               |                      | 966,269           |
| Financing & Leasing Fees                | 125,095           | 11,992                     | 34,703           | 35,981           | 17,965             | 46,919            | 28,848                  | 36,881                |                      | 338,308           |
| <b>Total Assets</b>                     | <b>10,654,642</b> | <b>2,602,888</b>           | <b>9,279,346</b> | <b>6,624,313</b> | <b>2,514,982</b>   | <b>8,205,644</b>  | <b>8,132,373</b>        | <b>24,854,920</b>     |                      | <b>72,869,105</b> |
| <b>LIABILITIES AND PARTNERS CAPITAL</b> |                   |                            |                  |                  |                    |                   |                         |                       |                      |                   |
| Mortgage Notes Payable                  | 8,600,000         | 2,162,000                  | 7,359,299        | 5,000,000        | 1,668,000          | 4,750,000         | 5,500,000               | 16,461,242            |                      | 51,500,541        |
| Due to Investment Properties            |                   |                            | 417,000          |                  | 28,000             | 26,000            | 25,000                  |                       |                      | 496,000           |
| Accounts Payable & Accrued Expense      | 47,890            | 9,783                      | 129,135          | 15,283           | 22,232             | 14,747            | 49,571                  | 201,294               |                      | 489,932           |
| Advance Rental Pymts & Security Dep     | 135,068           |                            | 124,457          | 55,496           | 15,886             | 78,620            | 49,269                  | 203,408               |                      | 662,294           |
| <b>Total Liabilities</b>                | <b>8,782,958</b>  | <b>2,171,783</b>           | <b>8,029,891</b> | <b>5,070,779</b> | <b>1,734,119</b>   | <b>4,869,367</b>  | <b>5,623,840</b>        | <b>16,865,945</b>     |                      | <b>53,148,613</b> |



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|  |                   |                  |                  |                  |                  |                  |                  |                   |     |                 |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-----|-----------------|
| Partners Capital   | 1,871,683         | 431,105          | 1,249,455        | 1,553,533        | 780,863          | 3,336,277        | 2,508,532        | 7,988,975         |     | 19,720,4        |
| <b>Total Liabilities &amp; Capital</b>                                     | <b>10,654,642</b> | <b>2,602,888</b> | <b>9,279,346</b> | <b>6,624,313</b> | <b>2,514,982</b> | <b>8,205,644</b> | <b>8,132,373</b> | <b>24,854,920</b> |     | <b>72,869,1</b> |
| Partners Capital-NERA50%   | 935,842           | 215,552          | 624,727          | 776,767          | 390,432          | 1,668,139        | 1,254,266        | 3,994,487         |     | 9,860,2         |
| Total units/<br>Condominiums   |                   |                  |                  |                  |                  |                  |                  |                   |     |                 |
| Apartments   | 48                |                  | 40               | 175              | 120              | 48               | 42               | 148               | 137 | 73              |
| Commercial   | 1                 | 1                |                  | 1                |                  |                  |                  |                   |     |                 |
| Total  | 49                | 1                | 40               | 176              | 120              | 48               | 42               | 148               | 137 | 73              |
| Units to be retained   | 49                | 1                | 40               | 49               |                  | 48               | 42               | 148               |     | 37              |
| Units to be sold   |                   |                  |                  | 127              | 120              |                  |                  |                   | 137 | 36              |
| Units sold through<br>October 26, 2009                                     |                   |                  |                  | 127              | 105              |                  |                  |                   | 137 | 36              |
| Unsold units   |                   |                  |                  |                  | 15               |                  |                  |                   |     |                 |
| Unsold units with<br>deposits for future<br>sale as of October 26,<br>2009 |                   |                  |                  |                  |                  |                  |                  |                   |     |                 |

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## Summary financial information for the nine months ended September 30, 2009 (unaudited)

|                                       | Hamilton<br>Essex 81 | Hamilton<br>Essex<br>Development | 345<br>Franklin | Hamilton<br>1025 | Hamilton<br>Bay Sales | Hamilton<br>Bay Apts | Hamilton<br>Minuteman<br>Apts | Hamilton<br>on Main<br>Apts | Hamilton<br>Place<br>Sales | Total       |
|---------------------------------------|----------------------|----------------------------------|-----------------|------------------|-----------------------|----------------------|-------------------------------|-----------------------------|----------------------------|-------------|
| <b>Revenues</b>                       |                      |                                  |                 |                  |                       |                      |                               |                             |                            |             |
| Rental Income                         | 839,738              | 214,248                          | 820,442         | 596,044          | 171,391               | 602,117              | 571,656                       | 1,805,764                   |                            | 5,621,400   |
| Laundry and Sundry<br>Income          | 2,129                |                                  | 1,341           |                  |                       |                      | 567                           | 16,265                      |                            | 20,302      |
|                                       | 841,868              | 214,248                          | 821,782         | 596,044          | 171,391               | 602,117              | 572,223                       | 1,822,029                   |                            | 5,641,703   |
| <b>Expenses</b>                       |                      |                                  |                 |                  |                       |                      |                               |                             |                            |             |
| Administrative                        | 12,620               | 12,157                           | 17,056          | 18,142           | 7,332                 | 12,363               | 7,454                         | 27,332                      |                            | 114,458     |
| Depreciation and<br>Amortization      | 324,135              | 3,483                            | 326,096         | 234,872          | 79,602                | 299,197              | 344,364                       | 1,125,466                   |                            | 2,737,213   |
| Management Fees                       | 35,472               | 8,301                            | 33,246          | 23,470           | 6,775                 | 23,734               | 22,089                        | 73,464                      |                            | 226,551     |
| Operating                             | 101,052              |                                  | 46,074          | 3,185            | 415                   | 3,915                | 61,489                        | 252,105                     |                            | 468,236     |
| Renting                               | 29,350               |                                  | 34,795          | 4,141            | 369                   | 1,584                | 3,337                         | 11,717                      |                            | 85,294      |
| Repairs and Maintenance               | 83,989               | 3,930                            | 80,008          | 197,010          | 44,391                | 194,281              | 56,424                        | 219,761                     |                            | 879,795     |
| Taxes and Insurance                   | 102,155              | 55,381                           | 59,989          | 96,836           | 34,629                | 102,652              | 76,349                        | 225,972                     |                            | 753,962     |
|                                       | 688,774              | 83,252                           | 597,265         | 577,655          | 173,514               | 637,726              | 571,506                       | 1,935,816                   |                            | 5,265,508   |
| <b>Income Before Other<br/>Income</b> | 153,094              | 130,996                          | 224,517         | 18,389           | (2,123)               | (35,610)             | 717                           | (113,787)                   |                            | 376,195     |
| <b>Other Income (Loss)</b>            |                      |                                  |                 |                  |                       |                      |                               |                             |                            |             |
| Interest Expense                      | (380,094)            | (48,369)                         | (386,837)       | (216,120)        | (75,518)              | (202,915)            | (237,305)                     | (654,846)                   |                            | (2,202,004) |
| Interest Income                       | 2                    |                                  | 43              | 54               | 11,035                |                      | 1                             | 2                           |                            | 11,137      |
| Gain on Sale of Real<br>Estate        |                      |                                  |                 |                  | 52,867                |                      |                               |                             |                            | 52,867      |
|                                       | (380,092)            | (48,369)                         | (386,794)       | (216,065)        | (11,616)              | (202,915)            | (237,304)                     | (654,844)                   |                            | (2,138,000) |
| <b>Net Income (Loss)</b>              | (226,998)            | 82,628                           | (162,277)       | (197,676)        | (13,739)              | (238,525)            | (236,587)                     | (768,631)                   |                            | (1,761,806) |
| <b>Net Income (loss) NERA<br/>50%</b> | (113,499)            | 41,314                           | (81,139)        | (98,838)         | (6,869)               | (119,262)            | (118,293)                     | (384,316)                   |                            | (880,903)   |

## Summary financial information for the three months ended September 30, 2009 (unaudited)

|                                  | Hamilton<br>Essex 81 | Hamilton<br>Essex<br>Development | 345<br>Franklin | Hamilton<br>1025 | Hamilton<br>Bay Sales | Hamilton<br>Bay Apts | Hamilton<br>Minuteman<br>Apts | Hamilton<br>on Main<br>Apts | Hamilton<br>Place<br>Sales | Total     |
|----------------------------------|----------------------|----------------------------------|-----------------|------------------|-----------------------|----------------------|-------------------------------|-----------------------------|----------------------------|-----------|
| <b>Revenues</b>                  |                      |                                  |                 |                  |                       |                      |                               |                             |                            |           |
| Rental Income                    | 231,232              | 65,950                           | 261,486         | 192,111          | 57,414                | 202,201              | 193,671                       | 602,926                     |                            | 1,806,989 |
| Laundry and Sundry<br>Income     | 237                  |                                  | 48              |                  |                       |                      |                               | 5,100                       |                            | 5,385     |
|                                  | 231,469              | 65,950                           | 261,533         | 192,111          | 57,414                | 202,201              | 193,671                       | 608,026                     |                            | 1,812,374 |
| <b>Expenses</b>                  |                      |                                  |                 |                  |                       |                      |                               |                             |                            |           |
| Administrative                   | 4,299                | 2,406                            | 5,888           | 9,103            | 3,156                 | 4,408                | 1,275                         | 10,589                      |                            | 41,123    |
| Depreciation and<br>Amortization | 108,024              | 1,563                            | 112,858         | 78,723           | 26,534                | 100,040              | 115,607                       | 376,095                     |                            | 919,445   |
| Management Fees                  | 10,530               | 2,760                            | 10,655          | 7,447            | 2,298                 | 8,162                | 7,781                         | 24,093                      |                            | 73,726    |
| Operating                        | 30,789               |                                  | 14,394          | 1,777            | 285                   | 198                  | 14,768                        | 65,404                      |                            | 127,613   |
| Renting                          | 13,850               |                                  | 12,245          | 1,143            | 369                   | 774                  | 722                           | 4,353                       |                            | 33,456    |
| Repairs and Maintenance          | 31,989               |                                  | 40,489          | 64,413           | 14,515                | 62,781               | 18,030                        | 82,979                      |                            | 315,195   |

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|                                       |                 |               |                 |                 |                |                 |                 |                  |  |                  |
|---------------------------------------|-----------------|---------------|-----------------|-----------------|----------------|-----------------|-----------------|------------------|--|------------------|
| Taxes and Insurance                   | 40,170          | 11,082        | 20,304          | 21,311          | 10,565         | 16,497          | 25,669          | 76,276           |  | 221,875          |
|                                       | 239,651         | 17,811        | 216,832         | 183,916         | 57,722         | 192,861         | 183,852         | 639,789          |  | 1,732,434        |
| <b>Income Before Other<br/>Income</b> | (8,182)         | 48,139        | 44,701          | 8,194           | (308)          | 9,340           | 9,819           | (31,764)         |  | 79,940           |
| <b>Other Income (Loss)</b>            |                 |               |                 |                 |                |                 |                 |                  |  |                  |
| Interest Expense                      | (128,179)       | (15,737)      | (128,355)       | (72,805)        | (24,681)       | (68,399)        | (79,957)        | (219,837)        |  | (737,951)        |
| Interest Income                       |                 |               | 14              | 20              | 3,525          |                 |                 |                  |  | 3,559            |
| Gain on Sale of Real<br>Estate        |                 |               |                 |                 | 3,221          |                 |                 |                  |  | 3,221            |
|                                       | (128,179)       | (15,737)      | (128,341)       | (72,785)        | (17,936)       | (68,399)        | (79,957)        | (219,837)        |  | (731,170)        |
| <b>Net Income (Loss)</b>              | (136,361)       | 32,403        | (83,640)        | (64,591)        | (18,244)       | (59,059)        | (70,138)        | (251,601)        |  | (651,230)        |
| <b>Net Income (loss) NERA<br/>50%</b> | <b>(68,181)</b> | <b>16,201</b> | <b>(41,820)</b> | <b>(32,295)</b> | <b>(9,122)</b> | <b>(29,530)</b> | <b>(35,069)</b> | <b>(125,800)</b> |  | <b>(325,615)</b> |

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Future annual mortgage maturities at September 30, 2009 are as follows:

| Period End         | Hamilton<br>Essex 81<br>March<br>2005 | Hamilton<br>Essex<br>Development<br>March<br>2005 | Franklin<br>Street<br>November<br>2001 | 1025<br>Hamilton<br>March<br>2005 | Hamilton<br>Bay<br>October<br>2005 | Hamilton<br>Bay<br>October<br>2005 | Hamilton<br>Minuteman<br>August<br>2004 | Hamilton<br>Place<br>August<br>2004 | Hamilton<br>Place<br>Sales<br>August<br>2004 | Total      |
|--------------------|---------------------------------------|---|--|-----------------------------------|------------------------------------|------------------------------------|---|-------------------------------------|--|------------|
| September 30, 2010 | 8,911                                 |   | 144,711                                |                                   |                                    |                                    |   | 247,536                             |  | 401,159    |
| September 30, 2011 | 110,346                               | 2,162,000   | 155,018                                |                                   |                                    |                                    |   | 258,461                             |  | 2,685,825  |
| September 30, 2012 | 116,907                               |   | 166,060                                | 50,135                            |                                    | 36,421                             | 49,966                                  | 274,760                             |  | 694,249    |
| September 30, 2013 | 123,859                               |   | 177,887                                | 64,222                            | 1,668,000                          | 65,250                             | 70,339                                  | 289,543                             |  | 2,459,100  |
| September 30, 2014 | 131,223                               |   | 6,715,623                              | 68,013                            |                                    | 68,979                             | 74,491                                  | 305,121                             |  | 7,363,449  |
| Thereafter         | 8,108,754                             |   |  | 4,817,629                         |                                    | 4,579,349                          | 5,305,204                               | 15,085,823                          |  | 37,896,760 |
|                    | 8,600,000                             | 2,162,000   | 7,359,299                              | 5,000,000                         | 1,668,000                          | 4,750,000                          | 5,500,000                               | 16,461,242                          |  | 51,500,542 |

Summary financial information as of September 30, 2008 (unaudited)

|   | Essex 81<br>Commercial | Essex 81<br>Apartments | 345<br>Franklin  | Hamilton<br>1025 | Hamilton<br>Bay<br>Sales | Hamilton<br>Bay<br>Apartments | Minuteman        | Hamilton<br>on Main | Hamilton<br>Place<br>Sales | Total             |
|---|------------------------|------------------------|------------------|------------------|--------------------------|-------------------------------|------------------|---------------------|----------------------------|-------------------|
| <b>ASSETS</b>                                       |                        |                        |                  |                  |                          |                               |                  |                     |                            |                   |
| Rental Properties                                   | 1,022,820              | 12,200,895             | 9,373,786        | 6,844,245        | 2,327,118                | 8,294,783                     | 8,407,271        | 25,551,487          |                            | 74,022,406        |
| Cash & Cash<br>Equivalents                          | 5,478                  | 281                    | 5,699            | 69,325           | 28,878                   | 6,736                         | 2,770            | 29,598              | 66                         | 148,830           |
| Rent Receivable                                     | 27,271                 | 99,771                 | 12,232           | 3,313            | 1,867                    | (682)                         | (4,037)          | 6,760               |                            | 146,494           |
| Real Estate Tax<br>Escrow                           |                        | 28,751                 | 38,827           | 43,167           | 101,973                  | 45,685                        | 14,398           | 90,458              |                            | 261,287           |
| Due From<br>Investment<br>Properties                |                        |                        |                  | 90,000           | 101,973                  |                               |                  | 230,000             | 1,798,870                  | 2,220,843         |
| Prepaid<br>Expenses & Other<br>Assets               | 616                    | 75,769                 | 80,076           | 66,252           | 171,175                  | 76,502                        | 63,233           | 360,989             |                            | 894,612           |
| Financing &<br>Leasing Fees                         | 13,889                 | 140,109                | 42,869           | 41,007           | 23,030                   | 53,281                        | 34,738           | 45,424              |                            | 394,346           |
| <b>Total Assets</b>                                 | <b>1,070,075</b>       | <b>12,545,575</b>      | <b>9,553,490</b> | <b>7,157,309</b> | <b>2,654,041</b>         | <b>8,476,304</b>              | <b>8,518,374</b> | <b>26,314,716</b>   | <b>1,798,935</b>           | <b>78,088,819</b> |
| <b>LIABILITIES<br/>AND<br/>PARTNERS<br/>CAPITAL</b> |                        |                        |                  |                  |                          |                               |                  |                     |                            |                   |
| Mortgage Notes<br>Payable                           | 2,162,000              | 8,600,000              | 7,494,389        | 5,000,000        | 1,808,000                | 4,750,000                     | 5,500,000        | 16,696,141          |                            | 52,010,529        |
| Due to Investment<br>Properties                     |                        |                        | 375,000          |                  |                          | 1,973                         | 45,000           | 1,798,870           |                            | 2,220,843         |
| Accounts<br>Payable &<br>Accrued Exp                | 12,265                 | 54,947                 | 90,799           | 10,459           | 19,098                   | 6,021                         | 39,673           | 165,573             | 1,285                      | 400,120           |
| Advance Rental<br>Payments &<br>Security Deposits   |                        | 131,327                | 116,457          | 61,544           | 17,308                   | 79,025                        | 47,377           | 181,454             |                            | 634,493           |
| <b>Total Liabilities</b>                            | <b>2,174,265</b>       | <b>8,786,274</b>       | <b>8,076,645</b> | <b>5,072,003</b> | <b>1,844,406</b>         | <b>4,837,020</b>              | <b>5,632,050</b> | <b>18,842,037</b>   | <b>1,285</b>               | <b>55,265,985</b> |
| Partners Capital                                    | (1,104,190)            | 3,759,301              | 1,476,845        | 2,085,306        | 809,636                  | 3,639,284                     | 2,886,324        | 7,472,679           | 1,797,650                  | 22,822,834        |
|   | <b>1,070,075</b>       | <b>12,545,575</b>      | <b>9,553,490</b> | <b>7,157,309</b> | <b>2,654,041</b>         | <b>8,476,304</b>              | <b>8,518,374</b> | <b>26,314,716</b>   | <b>1,798,935</b>           | <b>78,088,819</b> |

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|  |         |           |         |           |         |           |           |           |         |            |  |
|--|---------|-----------|---------|-----------|---------|-----------|-----------|-----------|---------|------------|--|
| <b>Total Liabilities &amp; Capital</b> |         |           |         |           |         |           |           |           |         |            |  |
| <b>Partners Capital NERA 50%</b>       | 552,095 | 1,879,651 | 738,422 | 1,042,653 | 404,818 | 1,819,642 | 1,443,162 | 3,736,339 | 898,825 | 11,411,417 |  |

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## Summary financial information for the nine months ended September 30, 2008 (unaudited)

|   | Essex 81<br>Commercial | Essex 81<br>Apartments | 345<br>Franklin  | Hamilton<br>1025 | Hamilton<br>Bay<br>Sales | Hamilton<br>Bay<br>Apartments | Minuteman        | Hamilton<br>on Main | Hamilton<br>Place<br>Sales | Total              |
|---|------------------------|------------------------|------------------|------------------|--------------------------|-------------------------------|------------------|---------------------|----------------------------|--------------------|
| <b>Revenues</b>   |                        |                        |                  |                  |                          |                               |                  |                     |                            |                    |
| Rental Income   | 305,709                | 814,994                | 775,115          | 590,527          | 172,812                  | 615,792                       | 565,244          | 1,758,124           | 1,747                      | 5,600,063          |
| Laundry and Sundry<br>Income  |                        | 1,587                  | 1,013            |                  |                          |                               | 2,426            | 15,115              |                            | 20,141             |
|   | 305,709                | 816,581                | 776,128          | 590,527          | 172,812                  | 615,792                       | 567,669          | 1,773,239           | 1,747                      | 5,620,204          |
| <b>Expenses</b>   |                        |                        |                  |                  |                          |                               |                  |                     |                            |                    |
| Administrative  | 4,954                  | 5,696                  | 28,519           | 13,219           | 8,060                    | 7,318                         | 2,429            | 42,312              | 3,770                      | 116,277            |
| Depreciation and<br>Amortization  | 86,798                 | 299,435                | 285,922          | 248,993          | 159,537                  | 291,533                       | 389,886          | 1,157,859           | 20,508                     | 2,940,472          |
| Management Fees   | 17,024                 | 31,366                 | 31,352           | 23,741           | 7,480                    | 24,284                        | 22,094           | 72,863              | 51                         | 230,255            |
| Operating   | 29,891                 | 74,336                 | 43,067           | 1,134            | 1,694                    | 787                           | 42,100           | 275,466             | 214                        | 468,688            |
| Renting   |                        | 17,339                 | 33,959           | 4,394            | 1,556                    | 2,116                         | 2,218            | 21,828              |                            | 83,410             |
| Repairs and<br>Maintenance  | 2,754                  | 90,895                 | 63,589           | 257,646          | 118,169                  | 213,398                       | 74,494           | 325,117             | 5,828                      | 1,151,891          |
| Taxes and Insurance   | 50,296                 | 93,282                 | 66,317           | 94,714           | 43,105                   | 82,924                        | 96,042           | 239,220             | 4,861                      | 770,860            |
|   | 191,716                | 612,449                | 552,726          | 643,842          | 339,601                  | 622,360                       | 629,262          | 2,134,664           | 35,232                     | 5,761,853          |
| <b>Income (Loss)<br/>Before Other<br/>Income</b>                        | 113,993                | 204,132                | 223,402          | (53,315)         | (166,789)                | (6,568)                       | (61,593)         | (361,425)           | (33,485)                   | (141,649)          |
| <b>Other Income<br/>(Loss)</b>  |                        |                        |                  |                  |                          |                               |                  |                     |                            |                    |
| Interest Expense  | (103,500)              | (353,467)              | (393,332)        | (216,737)        | (59,951)                 | (203,625)                     | (238,129)        | (665,606)           | (7)                        | (2,234,353)        |
| Interest Income   | 1,444                  | 100                    | 245              | 685              | 3,831                    | 475                           | 261              | 1,473               | 2,640                      | 11,154             |
| Gain on Sale of Real<br>Estate  |                        |                        |                  | 121,130          | 352,393                  |                               |                  | 12,381              | 348,204                    | 834,108            |
| Other Income<br>(Expenses)  |                        |                        |                  |                  |                          |                               |                  |                     |                            |                    |
|   | (102,056)              | (353,367)              | (393,087)        | (94,922)         | 296,273                  | (203,150)                     | (237,868)        | (651,752)           | 350,837                    | (1,389,091)        |
| <b>Net Income (Loss)</b>  | <b>(11,937)</b>        | <b>(149,235)</b>       | <b>(169,685)</b> | <b>(148,237)</b> | <b>129,484</b>           | <b>(209,718)</b>              | <b>(299,461)</b> | <b>(1,013,177)</b>  | <b>317,352</b>             | <b>(1,530,740)</b> |
| <b>P&amp;L NERA 50%</b>   | <b>(5,968)</b>         | <b>(74,617)</b>        | <b>(84,843)</b>  | <b>(74,118)</b>  | <b>64,742</b>            | <b>(104,859)</b>              | <b>(149,731)</b> | <b>(506,589)</b>    | <b>158,676</b>             | <b>(765,370)</b>   |
| Total<br>units/condominiums   |                        | 49                     | 40               | 176              | 120                      | 48                            | 42               | 146                 | 137                        | 758                |
| Units to be retained  |                        | 49                     | 40               | 49               |                          | 48                            | 42               | 146                 |                            | 374                |
| Units to be sold  |                        |                        |                  | 127              | 120                      |                               |                  |                     | 137                        | 384                |
| Units sold through<br>Oct. 27, 2008                                     |                        |                        |                  | 126              | 105                      |                               |                  |                     | 137                        | 368                |
| Unsold units  |                        |                        |                  | 1                | 15                       |                               |                  |                     |                            | 16                 |
| Unsold units with<br>deposits for future<br>sale as of Oct. 27,<br>2008 |                        |                        |                  | 1                |                          |                               |                  |                     |                            | 1                  |

Table of Contents**Summary financial information for the three months ended September 30, 2008 (unaudited)**

|                                  | Essex 81<br>Commercial | Essex 81<br>Apartments | 345<br>Franklin | Hamilton<br>1025 | Hamilton<br>Bay<br>Sales | Hamilton<br>Bay<br>Apartments | Minuteman | Hamilton<br>on Main | Hamilton<br>Place<br>Sales | Total     |
|----------------------------------|------------------------|------------------------|-----------------|------------------|--------------------------|-------------------------------|-----------|---------------------|----------------------------|-----------|
| <b>Revenues</b>                  |                        |                        |                 |                  |                          |                               |           |                     |                            |           |
| Rental Income                    | 98,755                 | 284,375                | 258,038         | 196,925          | 56,957                   | 205,957                       | 193,117   | 583,193             |                            | 1,877,317 |
| Laundry and Sundry<br>Income     |                        | 1,017                  | 356             |                  |                          |                               | 1,443     | 4,830               |                            | 7,646     |
|                                  | 98,755                 | 285,392                | 258,394         | 196,925          | 56,957                   | 205,957                       | 194,559   | 588,023             |                            | 1,884,963 |
| <b>Expenses</b>                  |                        |                        |                 |                  |                          |                               |           |                     |                            |           |
| Administrative                   | 631                    | 1,807                  | 14,064          | 4,789            | 226                      | 2,632                         | 1,537     | 12,756              |                            | 38,442    |
| Depreciation and<br>Amortization | 27,034                 | 100,975                | 108,324         | 82,998           | 53,681                   | 97,178                        | 131,586   | 392,125             |                            | 993,901   |
| Management Fees                  | 2,673                  | 10,645                 | 10,429          | 8,075            | 2,197                    | 8,052                         | 7,040     | 23,452              |                            | 72,563    |
| Operating                        | 8,989                  | 25,767                 | 11,110          | 307              | 37                       | 244                           | 12,528    | 67,595              |                            | 126,577   |
| Renting                          |                        | 12,014                 | 17,296          | 1,318            |                          | 929                           | 440       | 6,957               |                            | 38,954    |
| Repairs and<br>Maintenance       | 1,175                  | 42,823                 | 36,802          | 95,424           | 17,933                   |                               |           |                     |                            |           |