GLADSTONE LAND Corp
Form 10-Q
May 15, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2015

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: 001-35795

GLADSTONE LAND CORPORATION

(Exact name of registrant as specified in its charter)

MARYLAND	**54-1892552**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
1521 WESTBRANCH DRIVE, SUITE 100	
MCLEAN, VIRGINIA	**22102**
(Address of principal executive offices)	**(Zip Code)**

(703) 287-5800

(Registrant s telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

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

(Check one):

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (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 x.

The number of shares of the registrant s Common Stock, $0.001 par value per share, outstanding as of May 14, 2015, was 7,753,717.

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GLADSTONE LAND CORPORATION

FORM 10-Q FOR THE QUARTER ENDED

MARCH 31, 2015

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

GLADSTONE LAND CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	March 31, 2015	December 31, 2014
ASSETS		
Real estate, at cost	$ 169,933,003	$ 148,371,478
Less: accumulated depreciation	(4,943,804)	(4,431,290)
Total real estate, net	164,989,199	143,940,188
Lease intangibles, net	1,679,594	1,317,575
Cash and cash equivalents	2,180,340	2,619,342
Restricted cash		132,741
Deferred financing costs, net	1,048,685	1,039,714
Deferred offering costs	290,348	248,731
Other assets	1,915,455	2,404,333
TOTAL ASSETS	$ 172,103,621	$ 151,702,624
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES		
Mortgage notes and bonds payable	$ 94,866,803	$ 82,417,361
Borrowings under line of credit	11,800,000	4,000,000
Accounts payable and accrued expenses	2,391,221	1,925,251
Due to related parties(1)	117,486	471,101
Other liabilities	3,753,349	2,919,583
TOTAL LIABILITIES	112,928,859	91,733,296
Commitments and contingencies(2)		
STOCKHOLDERS EQUITY		
Common stock, $0.001 par value; 20,000,000 shares authorized; 7,753,717 shares issued and outstanding as of both March 31, 2015, and December 31, 2014	7,754	7,754
Additional paid in capital	65,361,309	65,366,309
Distributions in excess of earnings	(6,194,301)	(5,404,735)
TOTAL STOCKHOLDERS EQUITY	59,174,762	59,969,328

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 172,103,621	$ 151,702,624

(1) Refer to Note 4, Related-Party Transactions, for additional information.
(2) Refer to Note 7, Commitments and Contingencies, for additional information.

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

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GLADSTONE LAND CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	For the Three Months Ended March 31, 2015	2014
OPERATING REVENUES:		
Rental revenue	$ 2,622,327	$ 1,495,636
Tenant recovery revenue	3,397	
Total operating revenues	2,625,724	1,495,636
OPERATING EXPENSES:		
Depreciation and amortization	791,632	288,031
Management fee(1)	295,748	240,964
Administration fee(1)	130,936	66,158
Professional fees	166,908	178,987
Acquisition-related expenses	170,680	43,412
Property operating expenses	205,766	65,585
General and administrative expenses	230,446	217,315
Operating expenses before credits from Adviser	1,992,116	1,100,452
Credits to fees from Adviser(1)	(320,905)	
Total operating expenses, net of credits to fees	1,671,211	1,100,452
OPERATING INCOME	954,513	395,184
OTHER INCOME (EXPENSE):		
Other income	19,430	6,397
Interest expense	(949,369)	(374,040)
Total other expense	(929,939)	(367,643)
Net income before income taxes	24,574	27,541
Income tax provision		(6,623)
NET INCOME	$ 24,574	$ 20,918
EARNINGS PER COMMON SHARE:		
Basic and diluted	$ 0.00	$ 0.00
	7,753,717	6,530,264

WEIGHTED AVERAGE SHARES OF COMMON STOCK
OUTSTANDING - basic and diluted

(1) Refer to Note 4, Related-Party Transactions, for additional information.

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

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GLADSTONE LAND CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(UNAUDITED)

	Common Stock Number of Shares	Par Value	Additional Paid-in Capital	Distributions in Excess of Earnings	Total Stockholders Equity
Balance at December 31, 2013	**6,530,264**	**$ 6,530**	**$ 51,326,262**	**$ (2,820,800)**	**$ 48,511,992**
Net loss				(125,133)	(125,133)
Proceeds from issuance of common stock, net	1,223,453	1,224	14,040,047		14,041,271
Distributions				(2,458,802)	(2,458,802)
Balance at December 31, 2014	**7,753,717**	**$ 7,754**	**$ 65,366,309**	**$ (5,404,735)**	**$ 59,969,328**
Net income				24,574	24,574
Offering costs			(5,000)		(5,000)
Distributions				(814,140)	(814,140)
Balance at March 31, 2015	**7,753,717**	**$ 7,754**	**$ 65,361,309**	**$ (6,194,301)**	**$ 59,174,762**

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

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GLADSTONE LAND CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the Three Months Ended March 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 24,574	$ 20,918
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	791,632	288,031
Amortization of deferred financing costs	21,026	7,975
Amortization of deferred rent assets and liabilities, net	(64,146)	(19,894)
Changes in operating assets and liabilities:		
Other assets	45,255	53,526
Accounts payable, accrued expenses, and due to related parties	(756,342)	(128,877)
Other liabilities	203,307	172,080
Net cash provided by operating activities	265,306	393,759
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of new real estate	(19,869,405)	
Capital expenditures on existing real estate	(398,064)	(503,299)
Decrease (increase) in restricted cash	132,741	(740)
Deposits applied against real estate investments		(50,000)
Deposits refunded	100,000	50,000
Net cash used in investing activities	(20,034,728)	(504,039)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Offering costs	(36,766)	(84,140)
Borrowings from mortgage notes payable	12,552,680	
Repayments on mortgage note payable	(103,238)	(1,722,167)
Borrowings from line of credit	10,200,000	
Repayments on line of credit	(2,400,000)	
Payment of financing fees	(68,116)	(220,500)
Distributions paid	(814,140)	(587,724)
Net cash provided by (used in) financing activities	19,330,420	(2,614,531)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(439,002)	(2,724,811)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,619,342	16,271,282
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,180,340	$ 13,546,471
NON-CASH INVESTING AND FINANCING INFORMATION:		

Non-cash additions to real estate[1]	$	1,769,965	$	141,946
Offering costs included in Accounts payable and accrued expenses				38,828
Financing fees included in Accounts payable and accrued expenses		6,194		35,064

(1) 2015 non-cash real estate additions include $1,069,965 of additions included in Accounts payable and accrued expenses and $700,000 of contingent consideration, included in Other liabilities, owed in connection with a farm acquired during the three months ended March 31, 2015. 2014 non-cash real estate additions were all included in accounts payable and accrued expenses.

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

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GLADSTONE LAND CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1. BUSINESS AND ORGANIZATION

Business

Gladstone Land Corporation (the Company) was re-incorporated in Maryland on March 24, 2011, having been previously re-incorporated in Delaware on May 25, 2004, and having been originally incorporated in California on June 14, 1997. We are primarily in the business of owning and leasing farmland. Subject to certain restrictions and limitations, and pursuant to contractual agreements, our business is managed by Gladstone Management Corporation (the Adviser), a Delaware corporation, and administrative services are provided to us by Gladstone Administration, LLC (the Administrator), a Delaware limited liability company. Both the Adviser and the Administrator are affiliates of ours. See Note 4, Related-Party Transactions, for further discussion on our Adviser and Administrator.

Organization

We conduct substantially all of our operations through a subsidiary, Gladstone Land Limited Partnership (the Operating Partnership), a Delaware limited partnership. As we currently own, directly or indirectly, all of the general and limited partnership interests of the Operating Partnership, the financial position and results of operations of the Operating Partnership are consolidated within our financial statements.

Gladstone Land Partners, LLC (Land Partners), a Delaware limited liability company and a subsidiary of ours, was organized to engage in any lawful act or activity for which a limited liability company may be organized in Delaware. Land Partners is the general partner of the Operating Partnership and has the power to make and perform all contracts and to engage in all activities necessary in carrying out the purposes of the Company, as well as all other powers available to it as a limited liability company. As we currently own all of the membership interests of Land Partners, the financial position and results of operations of Land Partners are consolidated within our financial statements.

Gladstone Land Advisers, Inc. (Land Advisers), a Delaware corporation and a subsidiary of ours, was created to collect any non-qualifying income related to our real estate portfolio. We have elected for Land Advisers to be taxed as a taxable REIT subsidiary (TRS). It is currently anticipated that this income will predominately consist of fees we receive related to the leasing of real estate, though we may also provide ancillary services to farmers through this subsidiary. There have been no fees related to the leasing of real estate or for ancillary services earned by Land Advisers to date. Since we currently own 100% of the voting securities of Land Advisers, the financial position and results of operations of Land Advisers are consolidated within our financial statements.

All subsequent references in this report to the Company, we, us and our refer, collectively, to Gladstone Land Corporation, the Operating Partnership and the Company s and the Operating Partnership s subsidiaries, unless the context otherwise requires or where otherwise indicated.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Information

Our interim financial statements are prepared in accordance with United States (U.S.) generally accepted accounting principles (GAAP) for interim financial information and pursuant to the requirements for reporting on Form 10-Q in accordance with Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with GAAP are omitted. In the opinion of our management, all adjustments, consisting solely of normal recurring accruals, necessary for the fair presentation of financial statements for the interim period have been included. The results of the interim period reported herein are not indicative of the results to be expected for the full year. The interim financial statements and accompanying notes should be read in conjunction with the consolidated financial statements and notes thereto included in our Form 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on February 24, 2015.

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Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could materially differ from those estimates.

Reclassifications

Certain line items on the *Condensed Consolidated Balance Sheet* as of December 31, 2014, and the *Condensed Consolidated Statements of Operations and Cash Flows* for the three months ended March 31, 2014, have been reclassified to conform to the current-year presentation. These reclassifications had no effect on previously-reported stockholders equity or net income.

Real Estate and Lease Intangibles

Our investments in real estate consist of farmland and improvements made to the farmland, consisting of buildings; irrigation and drain systems; coolers, which are storage facilities used for cooling crops; warehouses used for storing, assembling and packing boxes; and horticulture acquired in connection with the land purchase, which currently consists of blueberry bushes and avocado and lemon trees. We record investments in real estate at cost and capitalize improvements and replacements when they extend the useful life or improve the efficiency of the asset. We expense costs of repairs and maintenance as such costs are incurred. We compute depreciation using the straight-line method over the shorter of the estimated useful life or 39 years for buildings and improvements, the shorter of the estimated useful life or 25 years for horticulture acquired in connection with the purchase of farmland, 5 to 10 years for equipment and fixtures and the shorter of the useful life or the remaining lease term for tenant improvements.

Certain of our acquisitions involve sale-leaseback transactions with newly-originated leases, which we account for as asset acquisitions under Accounting Standards Codification (ASC) 360, Property, Plant and Equipment. In the case of an asset acquisition, we will capitalize the transaction costs incurred in connection with the acquisition. Other of our acquisitions involve the acquisition of farmland that is already being operated as rental property and has a lease in place that we assume at the time of acquisition, which we will generally consider to be a business combination under ASC 805, Business Combinations. When an acquisition is considered a business combination, ASC 805 requires that the purchase price of real estate be allocated to (i) the tangible assets acquired and liabilities assumed, consisting of land, buildings, improvements, horticulture and long-term debt, and (ii) identifiable intangible assets and liabilities, typically the value of above-market and below-market leases, in-place leases, unamortized lease origination costs and tenant relationships, based in each case on their fair values. ASC 805 also requires that all expenses related to the acquisition be expensed as incurred, rather than capitalized into the cost of the acquisition.

Whether our acquisitions are treated as an asset acquisition under ASC 360 or a business combination under ASC 805, the fair value of the purchase price is allocated among the assets acquired and any liabilities assumed. Management s estimates of fair value are made using methods similar to those used by independent appraisers, such as a sales comparison approach, a cost approach and either an income capitalization approach or discounted cash flow analysis. Factors considered by management in its analysis include an estimate of carrying costs during hypothetical, expected lease-up periods, taking into consideration current market conditions and costs to execute similar leases. We also consider information obtained about each property as a result of our pre-acquisition due diligence and marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired and liabilities assumed. In estimating carrying costs, management also includes lost reimbursement of real estate taxes, insurance and other operating expenses, as well as estimates of lost rental income at market rates during the hypothetical, expected lease-up periods, which typically range from 1 to 24 months, depending on specific local market conditions. Management also estimates costs to execute similar leases, including leasing commissions, legal and other related expenses, to the extent that such costs are not already incurred in connection with a new lease origination as part of the transaction. While management believes these estimates to be reasonable based on the information available at the time of acquisition, the preliminary purchase price allocation may be adjusted if management obtains more information regarding the valuations of the assets acquired or liabilities assumed.

We allocate purchase price to the fair value of the tangible assets and liabilities of an acquired property by valuing the property as if it were vacant. The as-if-vacant value is allocated to land, buildings, improvements and horticulture, based on management s determination of the fair values of such assets. Real estate depreciation expense on these tangible assets was $512,514 and $259,563 for the three months ended March 31, 2015 and 2014, respectively.

We record above-market and below-market in-place lease values for acquired properties based on the present value (using a discount rate that reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases, and (ii) management s estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining, non-cancelable term of the lease. When determining the non-cancelable term of the lease, we evaluate whether fixed-rate renewal options, if any, should be included.

The fair value of capitalized above-market leases, included as part of Other assets in the accompanying *Condensed Consolidated Balance Sheets*, is amortized as a reduction of rental income on a straight-line basis over the remaining, non-cancelable terms of the respective leases, including that of any fixed-price or below-market renewal options. As of March 31, 2015, and December 31, 2014, the aggregate gross amount of above-market lease values was $65,203, and the total accumulated amortization related to these values was $14,422 and $9,027, respectively. Total amortization related to above-market lease values was $5,395 for the three months ended March 31, 2015. As of March 31, 2014, we had not recorded any above-market lease values since our inception. The fair value of capitalized below-market leases, included as part of Other liabilities in the accompanying *Condensed Consolidated Balance Sheets*, is amortized as an increase to rental income on a straight-line basis over the remaining, non-cancelable terms of the respective leases, including that of any fixed-price or below-market renewal options. As of March 31, 2015, and December 31, 2014, the aggregate gross amount of below-market lease values was $371,707, and the total accumulated amortization related to these values was $217,337 and $162,194, respectively. Total amortization related to below-market lease values was $55,143 and $19,984 for the three months ended March 31, 2015 and 2014, respectively.

The total amount of the remaining intangible assets acquired, which consists of in-place lease values, unamortized lease origination costs and tenant relationship intangible values, are allocated based on management s evaluation of the specific characteristics of each tenant s lease and our overall relationship with that respective tenant. Characteristics to be considered by management in allocating these values include the nature and extent of our existing business relationships with the tenant, prospects for developing additional business with the tenant, the tenant s credit quality and our expectations of lease renewals (including those existing under the terms of the lease agreement), among other factors.

The value of in-place leases and unamortized lease origination costs are amortized to amortization expense on a straight-line basis over the remaining, non-cancelable terms of the respective leases, which currently range from 1 to 10 years. The value of tenant relationship intangibles, which is the benefit to us resulting from the likelihood of an existing tenant renewing its lease at the existing property or entering into a lease at a different property we own, is amortized to amortization expense over the remaining lease term and any anticipated renewal periods in the respective leases.

Should a tenant terminate its lease, the unamortized portion of the above-market and below-market lease values, in-place lease values, lease origination costs and tenant relationship intangibles will be immediately charged to the appropriate income or expense account.

The total amount recorded as amortization expense related to these intangible assets was $279,118 and $28,468 for the three months ended March 31, 2015 and 2014, respectively.

Impairment of Real Estate Assets

We account for the impairment of our tangible and identifiable intangible real estate assets in accordance with ASC 360, which requires us to periodically review the carrying value of each property to determine whether indicators of impairment exist. Such indicators may include, but are not limited to, declines in a property s operating performance, deteriorating market conditions and environmental or legal concerns. If circumstances support the possibility of impairment, we prepare a projection of the total undiscounted future cash flows of the specific property, including proceeds from disposition without interest charges, and compare them to the net book value of the property to determine whether the carrying value of the property is recoverable. In performing the analysis, we consider such factors as the tenants payment history and financial condition, the likelihood of lease renewal, agricultural and business conditions in the regions in which our farms are located and whether there are indications that the fair value of the real estate has decreased. If the carrying amount is more than the aggregate undiscounted future cash flows, we would recognize an impairment loss to the extent the carrying value exceeds the estimated fair value of the property.

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We evaluate our entire property portfolio each quarter for any impairment indicators and perform an impairment analysis on those select properties that have an indication of impairment. We concluded that none of our properties were impaired as of March 31, 2015, and we will continue to monitor our portfolio for any indicators of impairment. There have been no impairments recognized on real estate assets since our inception.

Tenant Improvements

From time to time, our tenants may pay for improvements on certain of our properties with the ownership of the improvements remaining with us, in which case we will record the cost of such improvements as an asset, tenant improvements, along with a corresponding liability, deferred rent liability, on our balance sheet. When we are determined to be the owner of the tenant improvements, such improvements will be depreciated, and the related deferred rent liability will be amortized as an addition to rental income, each over the shorter of the useful life of the respective improvement or the remaining term of the existing lease in place. If the tenant is determined to be the owner of the tenant improvements, any tenant improvements funded by us are treated as a lease incentive and amortized as a reduction of rental income over the shorter of the useful life of the respective improvement or the remaining term of the existing lease in place. In determining whether the tenant or the Company is the owner of such improvements, several factors will be considered, including, but not limited to: (i) whether the tenant or landlord retains legal title to the improvements upon expiration of the lease; (ii) whether the lease stipulates how such improvements should be treated; (iii) the uniqueness of the improvements (i.e., whether the improvements were made to meet the specific needs or for the benefit of the tenant leasing the property, or if the improvements generally increased the value or extended the useful life of the asset improved upon); (iv) the expected useful life of the improvements relative to the remaining length of the lease; (v) whether the tenant improvements are expected to have significant residual value at the end of the lease term; and (vi) whether the tenant or the Company constructs or directs construction of the improvements. The determination of who owns the improvements is subject to significant judgment.

As of March 31, 2015, and December 31, 2014, we recorded aggregate gross tenant improvements of $582,247, and accumulated depreciation related to these improvements was $71,158 and $56,760, respectively. During the three months ended March 31, 2015, approximately $14,398 was recorded as both depreciation expense and an addition to rental income. No depreciation expense or addition to rental income related to tenant improvements was recorded during the respective prior-year period. To date, we have not recorded any lease incentives.

Restricted Cash

As of December 31, 2014, restricted cash consisted of $3,041 of accrued interest owed on funds held in escrow related to the acquisition of a property in December 2013 and $129,700 that was earmarked for the purchase of a water permit on one of our farms. During the three months ended March 31, 2015, we accrued $510 of additional accrued interest on the funds held in escrow, until the funds were released on March 4, 2015. In addition, the purchase of the water permit was approved on January 27, 2015, and these funds were released on February 12, 2015. We did not have any restricted cash as of March 31, 2015.

Other Assets and Other Liabilities

Other assets consist of short-term investments, deferred rent assets, prepaid expenses, deposits on potential real estate acquisitions, above-market lease values and miscellaneous receivables. Other liabilities consist of rents received in advance, deferred rent liabilities, below-market lease values and other deferred revenue amounts.

Revenue Recognition

Rental revenue includes rents that each tenant pays in accordance with the terms of its respective lease, reported evenly over the non-cancelable term of the lease. Most of our leases contain rental increases at specified intervals; we recognize such revenues on a straight-line basis. Deferred rent receivable, included in Other assets on the accompanying *Condensed Consolidated Balance Sheets*, includes the cumulative difference between rental revenue, as recorded on a straight-line basis, and rents received from the tenants in accordance with the lease terms. Capitalized above-market and below-market lease values are included in Other assets and Other liabilities, respectively, on the accompanying *Condensed Consolidated Balance Sheets*, which are amortized against or into rental income over the life of the respective leases. In addition, we determine, in our judgment, to what extent the deferred rent receivable applicable to each specific tenant is collectable. We perform a quarterly review on deferred rent receivable as it relates to straight-line rents and take into consideration the tenant s payment history, the financial condition of the tenant, business conditions of the industry in which the tenant operates and economic and agricultural conditions in the geographic area in which the property is located. In the event that the collectability of deferred rent with respect to any given tenant is in doubt, we record an allowance for uncollectable accounts or record a direct write-off of the specific rent receivable. No such reserves or direct write-offs have been recorded to date.

Tenant reimbursement revenue includes payments received from tenants as reimbursements for certain operating expenses, such as property taxes and insurance premiums. These expenses and their subsequent reimbursements are recognized under property operating expenses as incurred and tenant reimbursement revenue as earned, respectively, and are recorded in the same periods.

Segment Reporting

We do not evaluate performance on a property-specific or transactional basis, nor do we distinguish our principal business or group our operations on a geographical basis for purposes of measuring performance. Thus, we believe we have a single operating segment for reporting purposes in accordance with GAAP, that segment being farmland and farm-related properties.

Comprehensive Income

For the three months ended March 31, 2015 and 2014, net income equaled comprehensive income; therefore, a separate statement of comprehensive income is not included in the accompanying *Condensed Consolidated Financial Statements*.

Recently-Issued Accounting Guidance

In February 2015, the Financial Accounting Standards Board (the FASB), issued Accounting Standards Update (ASU) 2015-02, Consolidation Amendments to the Consolidation Analysis (ASU 2015-02), which amends or supersedes the scope and consolidation guidance under existing GAAP. The new standard changes the way a reporting entity evaluates whether (a) limited partnerships and similar entities should be consolidated, (b) fees paid to decision makers or service providers are variable interests in a variable interest entity (VIE) and (c) variable interests in a VIE held by related parties require the reporting entity to consolidate the VIE. ASU 2015-02 also eliminates the VIE consolidation model based on majority exposure to variability that applied to certain investment companies and similar entities. We are currently assessing the impact of ASU 2015-02 and do not anticipate a material impact on our financial position, results of operations or cash flows from adopting this standard. ASU 2015-02 is effective for annual and interim reporting periods beginning after December 15, 2015, with early adoption permitted.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03), which simplifies the presentation of debt issuance costs. We are currently assessing the impact of ASU 2015-03 and do not anticipate a material impact on our financial position, results of operations or cash flows from adopting this standard. ASU 2015-03 is effective for annual and interim reporting periods beginning after December 15, 2015, with early adoption permitted.

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NOTE 3. REAL ESTATE AND INTANGIBLE ASSETS

All of our properties are wholly-owned on a fee-simple basis. The following table provides certain summary information about our 34 farms as of March 31, 2015:

Property Name	Location	Date Acquired	Number of Farms	Total Acres	Farm Acres	Lease Expiration Date	Net Cost Basis (1)	Encumbrances
San Andreas	Watsonville, CA	6/16/1997	1	307	238	12/31/2020	$ 4,816,348	$ 4,602,937
West Gonzales	Oxnard, CA	9/15/1998	1	653	502	6/30/2020	12,365,304	23,418,424
West Beach	Watsonville, CA	1/3/2011	3	196	195	12/31/2023	9,165,426	4,483,895
Dalton Lane	Watsonville, CA	7/7/2011	1	72	70	11/1/2015	2,693,926	1,485,638
Keysville Road	Plant City, FL	10/26/2011	2	59	56	6/30/2020	1,241,700	
Colding Loop	Wimauma, FL	8/9/2012	1	219	181	6/14/2018	4,029,515	
Trapnell Road	Plant City, FL	9/12/2012	3	124	110	6/30/2017	4,065,630	2,655,000
38th Avenue	Covert, MI	4/5/2013	1	119	89	4/4/2020	1,303,310	709,487
Sequoia Street	Brooks, OR	5/31/2013	1	218	206	5/31/2028	3,137,348	1,640,128
Natividad Road	Salinas, CA	10/21/2013	1	166	166	10/31/2024	7,402,759	3,703,512
20th Avenue	South Haven, MI	11/5/2013	3	151	94	11/4/2018	1,856,169	1,058,146
Broadway Road	Moorpark, CA	12/16/2013	1	60	60	12/15/2023	2,913,225	1,587,220
Oregon Trail	Echo, OR	12/27/2013	1	1,895	1,640	12/31/2023	13,974,147	7,407,024
East Shelton	Willcox, AZ	12/27/2013	1	1,761	1,320	2/29/2024	8,099,226	3,544,790
Collins Road	Clatskanie, OR	5/30/2014	2	200	157	9/30/2024	2,505,615	1,428,498
Spring Valley	Watsonville, CA	6/13/2014	1	145	110	9/30/2022	5,822,169	3,121,532
McIntosh Road	Dover, FL	6/20/2014	2	94	78	6/30/2017	2,572,587	1,599,600
Naumann Road	Oxnard, CA	7/23/2014	1	68	66	7/31/2017	6,840,538	3,645,314
Sycamore Road	Arvin, CA	7/25/2014	1	326	322	10/31/2024	6,413,843	3,068,624
Wauchula Road	Duette, FL	9/29/2014	1	808	590	9/30/2024	13,646,802	8,052,525
Santa Clara Avenue	Oxnard, CA	10/29/2014	2	333	331	7/31/2015	24,357,313	13,226,829
Dufau Road	Oxnard, CA	11/4/2014	1	65	64	11/3/2017	6,105,791	3,675,000
Espinosa Road	Salinas, CA	1/5/2015	1	331	329	10/31/2016	16,817,180	10,178,000
Parrish Road	Duette, FL	3/10/2015	1	419	211	6/30/2025	3,908,243	2,374,680
			34	**8,789**	**7,185**		**$ 166,054,114**	**$ 106,666,803**

(1) Consists of the initial acquisition price (including the costs allocated to both tangible and intangible assets acquired and liabilities assumed), plus subsequent improvements and other capitalized costs associated with the properties, and adjusted for depreciation and amortization accumulated through March 31, 2015.

Real Estate

The following table sets forth the components of our investments in tangible real estate assets as of March 31, 2015, and December 31, 2014:

	March 31, 2015	December 31, 2014
Real estate:		
Land and land improvements	$ 141,476,576	$ 122,999,316
Irrigation systems	15,300,699	12,365,514
Buildings and improvements	11,596,388	11,447,308
Horticulture	1,559,340	1,559,340
Real estate, gross	169,933,003	148,371,478
Accumulated depreciation	(4,943,804)	(4,431,290)
Real estate, net	**$ 164,989,199**	**$ 143,940,188**

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New Real Estate Activity

2015 New Real Estate Activity

During the three months ended March 31, 2015, we acquired two new farms in two separate transactions, which are summarized in the table below.

Property Name	Property Location	Acquisition Date	Total Acreage	Number of Farms	Primary Crop(s)	Lease Term