

ACROSS AMERICA REAL ESTATE CORP
Form 10QSB
August 14, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

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

For the Quarterly period ended **June 30, 2006**

Commission File No. **000-50764**

Across America Real Estate Corp.
(Exact Name of Small Business Issuer as specified in its charter)

Colorado
(State or other jurisdiction
of incorporation)

20-0003432
(IRS Employer File Number)

1660 17th Street, Suite 450
Denver, Colorado 80202
(Address of principal executive offices) (zip code)

(303) 893-1003
(Registrant's telephone number, including area code)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act) **Yes [] No [X]**

As of August 7, 2006, registrant had outstanding 16,036,625 shares of the registrant's common stock, and the aggregate market value of such shares held by non-affiliates of the registrant (based upon the closing bid price of such shares as listed on the OTC Bulletin Board on August 7, 2006) was approximately \$2,328,456.

Transitional Small Business Disclosure Format (check one): Yes No

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PART I FINANCIAL INFORMATION

References in this document to "us," "we," or "Company" refer to Across America Real Estate Corp. and its subsidiaries.

ITEM 1. FINANCIAL STATEMENTS

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Across America Real Estate Corp
Consolidated Balance Sheet
(Unaudited)
June 30, 2006

Assets			
Cash		\$	116,736
Restricted cash			148,137
Deposits held by affiliates (Note 4)			560,478
Accounts Receivable:			
Related party (Note 2)			136,125
Employee advance			916
Property and equipment, net of accumulated depreciation (Note 5)			29,518
Real estate held for sale (Note 2)			4,686,980
Construction in progress (Note 2)			1,713,157
Land held for development (Note 2)			5,948,395
Current tax asset (Note 7)			111,114
Deferred tax asset (Note 7)			4,708
Deposits			64,129
Total assets			13,520,393
Liabilities and Shareholders' Equity			
Liabilities			
Accounts payable		\$	13,656
Accrued liabilities			61,916
Indebtedness to related party (Note 3)			10,292,121
Note payable (Note 10)			2,968,490
Capital lease obligation (Note 8)			11,448
Security deposit			10,000
Unearned revenue			128,183
Total liabilities			13,485,814
Commitments (Note 9)			
-			
Shareholders' equity			
Noncontrolling interest (Note 14)			3,292
Preferred stock, \$.10 par value; 1,000,000 shares authorized, -0- shares issued and outstanding			-
Common stock, \$.001 par value; 50,000,000 shares authorized, 16,036,625 shares issued and outstanding			16,037
Additional paid-in-capital			161,938
Retained earnings			(146,688)
Total shareholders' equity			34,579
Total liabilities and shareholders' equity		\$	13,520,393

See accompanying notes to condensed consolidated financial statements

Across America Real Estate Corp
Consolidated Statements of
Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenue:				
Sales	\$ -	\$ -	\$ 1,723,000	\$ -
Rental income from related party (Note 3)	143,917	42,651	268,995	42,651
Management fees	-	-	27,000	-
Total revenue	143,917	42,651	2,018,995	42,651
Operating expenses:				
Cost of Sales	-	-	1,462,852	-
Selling, general and administrative	348,639	165,368	630,494	245,750
Total Operating expenses	348,639	165,368	2,093,346	245,750
Loss from operations	(204,722)	(122,717)	(74,351)	(203,099)
Non-operating expense:				
Interest Expense	(142,568)	(34,861)	(235,886)	(43,047)
Loss before income taxes and noncontrolling interest	(347,290)	(157,578)	(310,237)	(246,146)
Income tax benefit	123,367		142,398	
Loss before noncontrolling interest	(223,923)	(157,578)	(167,839)	(246,146)
Noncontrolling interest in income of consolidated subsidiaries	10,611	583	(89,490)	2,498
Net loss	\$ (213,312)	\$ (156,995)	\$ (257,329)	\$ (243,648)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Basic and diluted weighted average common shares outstanding	16,036,625	16,036,625	16,036,625	16,036,625

See accompanying notes to condensed consolidated financial statements

Across America Real Estate Corp.
Statements of Cash Flows
(Unaudited)

	Six Months Ended	
	June 30,	
	2006	2005
Cash flows from operating activities:		
Net loss	\$ (257,329)	\$ (243,648)
Cash restricted for project development	110,681	(550,352)
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation	3,613	521
Changes in current assets and current liabilities:		
Construction in progress	(545,342)	854,730
Real estate held for sale	168,810	(2,022,546)
Land held for development	(953,977)	(6,891,544)
Accounts receivable	(31,416)	—
Accounts payable and accrued liabilities	(131,872)	38,084
Income tax assets and liabilities	(165,440)	—
Indebtedness to related party	150,000	—
Net cash used in operating activities	(1,652,272)	(8,814,755)
Cash flows from investing activities:		
Payments for deposits	(45,270)	(10,082)
Payments for property and equipment	(3,942)	—
Issuance of notes receivable	(80,318)	—
Unearned revenue	128,183	—
Proceeds from repayment of notes receivable	10,000	80,000
Net cash provided by investing activities	8,653	69,918
Cash flows from financing activities:		
Distributions received from members, net	37,132	—
Proceeds from related party loans (Note 3)	2,805,452	8,366,081
Repayment of related party loans (Note 3)	(1,078,811)	(1,215,042)
Proceeds from note payable (Note 3)	746,294	1,231,042
Repayment of note payable (Note 3)	(929,403)	—
Repayment of lease obligation	(805)	—
Net cash provided by financing activities	1,579,859	8,382,081
Net change in cash	(63,760)	(362,756)
Cash, beginning of period	180,496	527,390
Cash, end of period	\$ 116,736	\$ 164,634
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	\$ 27,921	\$ 1,000
Interest	\$ 225,181	\$ —

See accompanying notes to condensed consolidated financial statements

ACROSS AMERICA REAL ESTATE CORP.
Notes to Consolidated Financial Statements
(Unaudited)

(1) Nature of Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Across America Real Estate Corp. (“AARD” or the “Company”) was incorporated under the laws of Colorado on April 22, 2003. The Company is a co-developer, principally as a financier, for build-to-suit real estate development projects for retailers who sign long-term leases for use of the property. Land acquisition and project construction operations are conducted through the Company’s subsidiaries. The Company creates each project such that it will generate income from the placement of the construction loan, rental income during the period in which the property is held, and the capital appreciation of the facility upon sale. Affiliates, subsidiaries and management of the Company will develop the construction and permanent financing for the benefit of the Company.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Across America Real Estate Corp. and the following subsidiaries:

Name of Subsidiary	Ownership
CCI Southeast, LLC ("CCISE")	100.00%
AARD-Belle Creek, LLC ("Belle Creek")	100.00%
CCI Corona, LLC ("CCI Corona")	100.00%
Eagle Palm I, LLC ("Eagle")	100.00%
AARD-Greeley-Lot 3, LLC ("Greeley")	100.00%
Riverdale Carwash Lot 3A, LLC ("Riverdale")	100.00%
Across America Real Estate Exchange, Inc.	100.00%
Across America Financial Services, Inc.	100.00%
Cross Country Properties II, LLC ("CCPII")	80.00%
AARD-Stonegate, LLC ("Stonegate")	51.00%
AARD-Charmar-Olive Branch, LLC ("Olive Branch")	51.00%
AARD-Cypress Sound, LLC ("Cypress Sound")	51.00%
AARD-TSD-CSK Firestone, LLC ("Firestone")	51.00%
South Glen Eagles Drive, LLC("West Valley")	51.00%

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119th and Ridgeview, LLC ("Ridgeview")	51.00%
53rd and Baseline, LLC ("Baseline")	51.00%
Hwy 278 and Hwy 170, LLC ("Bluffton")	51.00%
State and 130th, LLC ("American Fork")	51.00%
Clinton Keith and Hidden Springs, LLC ("Murietta")	51.00%
Hwy 46 and Bluffton Pkwy, LLC ("Bluffton 46")	51.00%
AARD Bader Family Dollar Flat Shoals, LLC	51.00%
AARD Econo Lube Stonegate, LLC	51.00%
AARD Bader Family Dollar MLK, LLC	51.00%
L-S Corona Pointe, LLC ("L-S Corona")	50.01%
Cross Country Properties III, LLC ("CCPIII")	50.00%

All significant intercompany accounts and transactions have been eliminated in consolidation.

ACROSS AMERICA REAL ESTATE CORP.
Notes to Consolidated Financial Statements
(Unaudited)

(2) Real Estate Development Projects

Projects Currently being Developed or Held For Sale as of June 30, 2006:

Riverdale

On October 1, 2004, we entered into an arrangement with S&O Development, LLC, an unaffiliated builder and developer of commercial property, to develop an express tunnel carwash located in Littleton, Colorado. The parties formed a limited liability company for the development of the project. The name of the limited liability company was Riverdale Carwash Lot3A, LLC. S&O Development originally owned 49.9% of Riverdale Carwash Lot3A, LLC and we originally owned 50.1%. The parties agreed to split the profits each 50% from the proceeds of the sale of the project after all development and construction costs and interest and fee expenses are paid and settled. The project was completed on April 23, 2005.

On August 19, 2005, we purchased S&O Development's ownership in Riverdale Carwash Lot 3A, LLC for \$53,641, giving us 100% ownership of the Riverdale project.

On April 23, 2005, Riverdale leased the facility to Aquatique Industries, Inc. (an affiliate under common control) with a fifteen-year lease (see Note 3). Aquatique operates a Kwik Car Wash in the facility. GDBA owned 60% of Aquatique Industries at the time the lease was executed. For the quarter ended June 30, 2006 we have recognized \$77,276 in rental income.

Stonegate

On May 20, 2005, we (through our wholly-owned subsidiary, AARD-Stonegate, LLC) entered into an agreement with Castle Brae Development LLC ("Castle"), an unaffiliated builder and developer of commercial property. Under the agreement, Castle developed a car wash facility located in Parker, Colorado.

In August 2005, we amended the Operating Agreement of AARD-Stonegate, LLC, giving Castle 49% membership interest in AARD-Stonegate, LLC, retaining 51% membership interest for ourselves. Under the terms of the amended agreement, profits from the proceeds of the sale of the project will be divided between the partners after all development and construction costs and interest and fee expenses are paid and settled.

On December 31, 2005, Stonegate leased the facility to Aquatique Industries, Inc. (an affiliate under common control) with a fifteen-year lease (see Note 3). Aquatique operates a Kwik Car Wash in the facility. GDBA owned 60% of Aquatique Industries at the time the lease was executed. For the quarter ended June 30, 2006 we have recognized \$66,641 in rental income and a receivable in the amount of \$111,069.

ACROSS AMERICA REAL ESTATE CORP.
Notes to Consolidated Financial Statements
(Unaudited)

Cypress Sound

On March 22, 2005, we entered into an arrangement with Mr. Daniel S. Harper (“Harper”), an unaffiliated builder and developer of commercial property. We and Mr. Harper intend to develop and construct a six unit, three-story condominium project located in Orlando, Florida. The parties have formed a limited liability company for the development of the identified property. The name of the limited liability company is AARD-Cypress Sound LLC (“Cypress Sound”). Harper owns 49% of Cypress Sound and we own 51%. All profits from the proceeds of the sale of the project will be divided between the partners after all development and construction costs and interest and fee expenses are paid and settled.

Ridgeview

On May 20, 2005, the Company entered into an arrangement with Automotive Development Group, LLC (“ADG”), an unaffiliated builder and developer of commercial property. The Company and ADG intend to develop a car wash and lube facility located in Olathe, Kansas. The parties have formed a limited liability company for the development of the identified property. The name of the limited liability company is 119th and Ridgeview LLC (“Ridgeview”). ADG owns 49% of the LLC and AARD owns 51% of the LLC. All profits from the proceeds of the sale of the project will be divided between the partners after all development and construction costs and interest and fee expenses are paid and settled.

Bluffton 278

On June 14, 2005, we (through our subsidiary, Hwy 278 & Hwy 170, LLC, “Bluffton 278”) entered into an arrangement with Automotive Development Group, LLC (“ADG”), an unaffiliated builder and developer of Grease Monkey International automotive stores. We intend to develop a Grease Monkey located in Bluffton, South Carolina. ADG owns 49% of the LLC and AARD owns 51% of the LLC. All profits from the proceeds of the sale of the project will be divided between the partners after all development and construction costs and interest and fee expenses are paid and settled.

American Fork

On June 14, 2005, we (through our subsidiary, State & 130th, LLC, “American Fork”) entered into an arrangement with Automotive Development Group, LLC (“ADG”), an unaffiliated builder and developer of Grease Monkey International automotive stores. We intend to develop a Grease Monkey located in American Fork, Utah. ADG owns 49% of the LLC and AARD owns 51% of the LLC. All profits from the proceeds of the sale of the project will be divided between the partners after all development and construction costs and interest and fee expenses are paid and settled.

ACROSS AMERICA REAL ESTATE CORP.
Notes to Consolidated Financial Statements
(Unaudited)

Laveen

On June 14, 2005, we (through our subsidiary, 53rd and Baseline, LLC, "Laveen") entered into an arrangement with Automotive Development Group, LLC ("ADG"), an unaffiliated builder and developer of Grease Monkey International automotive stores. We intend to develop a Grease Monkey located in Laveen, Arizona. ADG owns 49% of the LLC and AARD owns 51% of the LLC. All profits from the proceeds of the sale of the project will be divided between the partners after all development and construction costs and interest and fee expenses are paid and settled.

Bluffton 46

On April 1, 2006, we (through our subsidiary, Hwy 46 and Bluffton Pkwy, LLC ("Bluffton 46"), LLC, "Bluffton 46") entered into an arrangement with Automotive Development Group, LLC ("ADG"), an unaffiliated builder and developer of Grease Monkey International automotive stores. We intend to develop a Grease Monkey located in Bluffton, South Carolina. ADG owns 49% of the LLC and AARD owns 51% of the LLC. All profits from the proceeds of the sale of the project will be divided between the partners after all development and construction costs and interest and fee expenses are paid and settled.

West Valley

On November 21, 2005, we (through our subsidiary, South Glen Eagles Drive, LLC ("West Valley")) entered into an arrangement with Automotive Development Group, LLC ("ADG"), an unaffiliated builder and developer of Grease Monkey International automotive stores. We intend to develop a Grease Monkey located in West Valley, Utah. ADG owns 49% of the LLC and AARD owns 51% of the LLC. All profits from the proceeds of the sale of the project will be divided between the partners after all development and construction costs and interest and fee expenses are paid and settled.

AARD Stonegate Econolube

On October 25, 2005 we (through our subsidiary, AARD Stonegate Econolube, LLC) entered into an arrangement with Charmar Properties, an unaffiliated developer of commercial property. We intend to develop an Econolube located in Parker, CO. Charmar Properties owns 49% of the LLC and AARD owns 51% of the LLC. All profits from the proceeds of the sale of the project will be divided between the partners after all development .

(3) Related Party Transactions

Office Lease

The Company signed a noncancellable operating lease to rent office space from GDBA, its majority shareholder. The term of the lease commenced June 1, 2003 and expired December 31, 2003. The Company exercised an option to extend the lease through December 31, 2004 on the same terms. Payments required under the operating lease are \$250 per month. Future minimum rental payments required under the lease total \$4,750. As of June 30, 2006, the Company owed the shareholder \$4,750 for unpaid lease payments. This balance is included in the accompanying consolidated financial statements as "Indebtedness to related party".

ACROSS AMERICA REAL ESTATE CORP.
Notes to Consolidated Financial Statements
(Unaudited)

Agreement to Fund

On November 26, 2004 we entered into a three-year “Agreement to Fund” our real estate projects with GDBA Investments, LLLP (“GDBA”), our largest shareholder. We are currently dependent on this relationship and would be unable to fund any projects if we lose our current funding commitment from GDBA. In addition, our senior credit facility with Vectra Bank Colorado, which is renewable annually, has been guaranteed by GDBA Investments and its principals. Given the early stage of our company, it is unlikely that we could renew our senior credit facility without the continuation of these guarantees.

We utilized capital from GDBA to fund our project growth through the second quarter of 2006. The amount we borrowed throughout the quarter fluctuated as we borrowed to fund new projects and repaid principal and interest on properties we sold. As of June 30, 2006 we owed GDBA \$9,416,961 in principal and accrued interest of \$875,160.

In the first six months of 2006, we received \$2,805,451 in loans for our construction projects under our loan agreement with GDBA. We repaid a total of \$1,078,811 during this period to this shareholder. In the first six months of 2005, we received \$8,366,081 in loans for our construction projects under our loan agreement with GDBA. We repaid a total of \$1,215,042 during this period to this shareholder.

(4) Notes Receivable and Development Deposits

During the course of acquiring properties for development, Across America, on behalf of its subsidiaries and development partners, typically is required to provide capital for earnest money deposits that may or may not be refundable in addition to investing in entitlements for properties before the actual land purchase. Because these activities represent a risk of our capital in the event the land purchase is not completed, it is our policy to require our development partners to personally sign promissory notes to Across America Real Estate Corp. for all proceeds expended before land is purchased. Once the land has been purchased and can collateralize the capital invested by us, the promissory note is cancelled. AARD had \$560,478 in earnest money deposits outstanding at June 30, 2006. These deposits were held by affiliates and all were collateralized by promissory notes from our development partners.

(5) Property and Equipment

The Company's property and equipment consisted of the following at June 30, 2006:

Equipment	\$	20,443
Furniture and fixtures		5,938
Computers and related equipment		9,255
Less accumulated depreciation		(6,118)
	\$	29,518

Depreciation expense totaled \$3,613 and \$521 for the six months ended June 30, 2006 and June 30, 2005 respectively.

ACROSS AMERICA REAL ESTATE CORP.
Notes to Consolidated Financial Statements
(Unaudited)

(6) Shareholders' Equity

Preferred Stock

The Board of Directors is authorized to issue shares of preferred stock in series and to fix the number of shares in such series as well as the designation, relative rights, powers, preferences, restrictions, and limitations of all such series.

Common Stock

As of June 30, 2006 the Company has 50,000,000 shares of common stock that are authorized, 16,036,625 shares that are issued and outstanding at a par value of \$.001 per share.

(7) Income Taxes

The provision for income taxes for the six months ended June 30, 2006, consists of the following:

Current:		
Federal	\$	(118,731)
State		(18,959)
		(137,690)