

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**  
SEC Accession No. **0000950148-96-002646**

(HTML Version on [secdatabase.com](http://secdatabase.com))

FILER

**REAL ESTATE ASSOCIATES LTD IV**

CIK: **355573** | IRS No.: **953718731** | State of Incorpor.: **CA** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **000-12439** | Film No.: **96663008**  
SIC: **6500** Real estate

Mailing Address  
9090 WILSHIRE BLVD  
STE 201  
BEVERLY HILLS CA 90211

Business Address  
9090 WILSHIRE BLVD  
STE 201  
BEVERLY HILLS CA 90211  
3102782191

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended SEPTEMBER 30, 1996

Commission File Number 2-74063

REAL ESTATE ASSOCIATES LIMITED IV (A California Limited Partnership)

I.R.S. Employer Identification No. 95-3718731

9090 WILSHIRE BLVD., SUITE 201 BEVERLY HILLS, CALIF. 90211

Registrant's Telephone Number, Including Area Code (310) 278-2191

Indicate by check mark whether the registrant (1) has filed all documents and reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve 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 -----

REAL ESTATE ASSOCIATES LIMITED IV (A CALIFORNIA LIMITED PARTNERSHIP)

INDEX TO FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 1996

<TABLE> <S> <C>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Balance Sheets, September 30, 1996 and December 31, 1995 . . . . . 1
Statements of Operations,
Nine and Three Months Ended September 30, 1996 and 1995 . . . . . 2
Statement of Partners' Equity (Deficiency),
Nine Months Ended September 30, 1996 . . . . . 3
Statements of Cash Flows,
Nine Months Ended September 30, 1996 and 1995 . . . . . 4
Notes to Financial Statements . . . . . 5

Item 2. Management's Discussion and Analysis of Financial
Condition and Results of Operations . . . . . 9

PART II. OTHER INFORMATION

Item 1. Legal Proceedings . . . . . 10

Item 6. Exhibits and Reports on Form 8-K . . . . . 10

Signatures . . . . . 11

3

REAL ESTATE ASSOCIATES LIMITED IV  
(A CALIFORNIA LIMITED PARTNERSHIP)

BALANCE SHEETS

SEPTEMBER 30, 1996 AND DECEMBER 31, 1995

ASSETS

<TABLE>  
<CAPTION>

	1996 (Unaudited)	1995 (Audited)
	-----	-----
<S>	<C>	<C>
INVESTMENTS IN LIMITED PARTNERSHIPS (Note 2)	\$ 3,198,206	\$ 3,221,339
CASH AND CASH EQUIVALENTS (Note 1)	6,516,237	5,561,045
SHORT TERM INVESTMENTS (Note 1)	125,000	125,000
OTHER ASSETS	50,000	90,000
	-----	-----
TOTAL ASSETS	\$ 9,889,443	\$ 8,997,384
	=====	=====

LIABILITIES AND PARTNERS' EQUITY (DEFICIENCY)

LIABILITIES:

Notes payable (Notes 1 and 5)	\$ 1,230,743	\$ 1,230,743
Interest payable (Notes 1 and 5)	348,898	407,511
Accounts payable	21,678	29,327
	-----	-----
	1,601,319	1,667,581
	-----	-----

COMMITMENTS AND CONTINGENCIES (Notes 3 and 4)

PARTNERS' EQUITY (DEFICIENCY):

General partners	(189,149)	(198,732)
Limited partners	8,477,273	7,528,535
	-----	-----
	8,288,124	7,329,803
	-----	-----

TOTAL LIABILITIES AND PARTNERS' EQUITY (DEFICIENCY)	\$ 9,889,443	\$ 8,997,384
	=====	=====

</TABLE>

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

REAL ESTATE ASSOCIATES LIMITED IV  
(A CALIFORNIA LIMITED PARTNERSHIP)

STATEMENTS OF OPERATIONS

NINE AND THREE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

(Unaudited)

<TABLE>  
<CAPTION>

	Nine months ended Sept. 30, 1996	Three months ended Sept. 30, 1996	Nine months ended Sept. 30, 1995	Three months ended Sept. 30, 1995
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
INTEREST INCOME	\$ 127,157	\$ 48,289	\$ 113,642	\$ 41,100
	-----	-----	-----	-----
OPERATING EXPENSES:				
Legal and accounting	89,969	19,485	89,969	13,545
Management fees - general partner	379,044	126,348	379,044	126,348
Interest (Note 1)	92,250	30,750	92,250	30,750
Administrative (Note 3)	50,233	13,545	31,609	9,783
	-----	-----	-----	-----
TOTAL OPERATING EXPENSES	611,496	190,128	592,872	180,426
	-----	-----	-----	-----
LOSS FROM OPERATIONS	(484,339)	(141,839)	(479,230)	(139,326)
DISTRIBUTIONS FROM LIMITED PARTNERSHIPS RECOGNIZED AS INCOME (Note 2)	1,082,660	70,005	1,331,813	198,115
EQUITY IN INCOME OF LIMITED PARTNERSHIPS AND AMORTI- ZATION OF ACQUISITION COSTS	360,000	120,000	396,000	132,000
	-----	-----	-----	-----
NET INCOME	\$ 958,321	\$ 48,166	\$ 1,248,583	\$ 190,789
	=====	=====	=====	=====
NET INCOME PER LIMITED PARTNERSHIP INTEREST (Note 1)	\$ 73	\$ 4	\$ 95	\$ 14
	=====	=====	=====	=====

</TABLE>

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

REAL ESTATE ASSOCIATES LIMITED IV  
(A CALIFORNIA LIMITED PARTNERSHIP)

STATEMENTS OF PARTNERS' EQUITY (DEFICIENCY)

(Unaudited)

<TABLE>  
<CAPTION>

	General Partners	Limited Partners	Total
	-----	-----	-----
<S>	<C>	<C>	<C>
PARTNERSHIP INTERESTS, September 30, 1996		13,202	
		=====	
EQUITY (DEFICIENCY), January 1, 1996	\$ (198,732)	\$ 7,528,535	\$ 7,329,803
Net income for the nine months ended September 30, 1996	9,583	948,738	958,321
	-----	-----	-----
EQUITY (DEFICIENCY), September 30, 1996	\$ (189,149)	\$ 8,477,273	\$ 8,288,124
	=====	=====	=====

</TABLE>

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

REAL ESTATE ASSOCIATES LIMITED IV  
(A CALIFORNIA LIMITED PARTNERSHIP)

STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

(Unaudited)

<TABLE>  
<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 958,321	\$ 1,248,583
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of limited partnerships and amorti- zation of additional basis and acquisition costs	(360,000)	(396,000)
Decrease (increase) in advances to limited partnership	40,000	(85,000)
Decrease in accounts payable and interest payable	(66,262)	(68,596)
	-----	-----
Net cash provided by operating activities	572,059	698,987
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Distributions from limited partnerships recognized as return of capital	383,133	333,198
	-----	-----

NET INCREASE IN CASH AND CASH EQUIVALENTS	955,192	1,032,185
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,561,045	4,594,174
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6,516,237	\$ 5,626,359
	=====	=====

</TABLE>

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

4

7

REAL ESTATE ASSOCIATES LIMITED IV  
(A CALIFORNIA LIMITED PARTNERSHIP)

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

The information contained in the following notes to the financial statements is condensed from that which would appear in the annual audited financial statements; accordingly, the financial statements included herein should be reviewed in conjunction with the financial statements and related notes thereto contained in the annual report for the year ended December 31, 1995 filed by Real Estate Associates Limited IV (the "Partnership"). Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end. The results of operations for the interim period presented are not necessarily indicative of the results for the entire year.

In the opinion of the Partnership, the accompanying unaudited financial statements contain all adjustments (consisting primarily of normal recurring accruals) necessary to present fairly the financial position as of September 30, 1996 and the results of operations for the nine and three months then ended and changes in cash flows for the nine months then ended.

The general partners have a 1 percent interest in profits and losses of the Partnership. The limited partners have the remaining 99 percent interest which is allocated in proportion to their respective individual investments. National Partnership Investments Corp. (NAPICO) is the corporate general partner of the Partnership.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

METHOD ACCOUNTING FOR INVESTMENT IN LIMITED PARTNERSHIPS

The investment in limited partnerships is accounted for on the equity method. Acquisition and selection fees and other costs related to the acquisition of the projects have been capitalized as part of the investment account.

NET INCOME PER LIMITED PARTNERSHIP INTEREST

Net income per limited partnership interest was computed by dividing the limited partners' share of net income by the number of limited partnership interests outstanding during the year. The number of limited partnership interests was 13,202 for the periods presented.

5

8

REAL ESTATE ASSOCIATES LIMITED IV  
(A CALIFORNIA LIMITED PARTNERSHIP)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank certificates of deposit with an original maturity of three months or less.

SHORT TERM INVESTMENTS

Short term investments consist of bank certificates of deposit with original maturities ranging from more than three months to twelve months. The fair value of these securities, which have been classified as held for sale, approximates their carrying value.

INCOME TAXES

No provision has been made for income taxes in the accompanying financial statements since such taxes, if any, are the liability of the individual partners.

NOTE 2 - INVESTMENTS IN LIMITED PARTNERSHIPS

The Partnership holds limited partnership interests in twenty-two limited partnerships. In addition, the Partnership holds a general partner interest in REA II. NAPICO is also a general partner in REA II. REA II, in turn, holds limited partner interests in seven additional limited partnerships. In total, therefore, the Partnership holds interests, either directly or indirectly through REA II, in twenty-nine partnerships which own residential rental projects consisting of 2,783 apartment units. The mortgage loans of these projects are insured by various governmental agencies.

The Partnership, as a limited partner, is entitled to between 80 percent and 99 percent of the profits and losses of the limited partnerships it has invested in directly. The Partnership is also entitled to 99.9 percent of the profits and losses of REA II. REA II is entitled to a 99 percent interest in each of the limited partnerships in which it has invested.

Equity in loss of the limited partnerships is recognized until the investment balance is reduced to zero. Losses incurred after the limited partnership investment account is reduced to zero are not recognized.

Distributions from the limited partnerships are accounted for as a return of capital until the investment balance is reduced to zero or to a negative amount equal to further capital contributions required. Subsequent distributions received are recognized as income.

Certain of the Partnership's investments involved purchases of partnership interest from partners who subsequently withdrew from the operating partnership. The Partnership is obligated on non-recourse notes payable of \$1,230,743 bearing interest at 10 percent, to the sellers of the partnership interests. The notes and the related interest are payable by the Partnership through REA II, and have principal maturity dates ranging from 2015 to 2022 or upon sale or refinancing of the underlying partnership

REAL ESTATE ASSOCIATES LIMITED IV  
(A CALIFORNIA LIMITED PARTNERSHIP)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1996

NOTE 2 - INVESTMENT IN LIMITED PARTNERSHIPS (CONTINUED)

properties. The notes are collateralized by REA II's investment in the respective limited partnerships and are payable only out of cash distributions from the investee partnerships as defined in the notes. Unpaid interest is due at maturity of the notes.

The following is a summary of the investment in limited partnerships as of September 30, 1996:

<TABLE>	
<S>	<C>
Balance, beginning of period	\$3,221,339
Equity in income of limited partnerships	495,000
Distributions recognized as a return of capital	(383,133)
Amortization of acquisition costs	(135,000)
	-----
Balance, end of period	\$3,198,206
	=====

</TABLE>

The following are unaudited combined estimated statements of operations for the nine and three months ended September 30, 1996 and 1995 for the limited partnerships in which the Partnership has investments:

<TABLE>				
<CAPTION>				
	Nine months ended Sept. 30, 1996	Three months ended Sept. 30, 1996	Nine months ended Sept. 30, 1995	Three months ended Sept. 30, 1995
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
REVENUES				
Rental and other	\$17,625,000	\$5,875,000	\$17,613,000	\$5,871,000
	-----	-----	-----	-----
EXPENSES				
Depreciation	2,823,000	941,000	2,760,000	920,000
Interest	6,066,000	2,022,000	6,231,000	2,077,000
Operating	8,781,000	2,927,000	8,571,000	2,857,000
	-----	-----	-----	-----
	17,670,000	5,890,000	17,562,000	5,854,000
	-----	-----	-----	-----
Net (loss) income	\$ (45,000)	\$ (15,000)	\$ 51,000	\$ 17,000



NAPICO, or one of its affiliates, is the general partner and property management agent for certain of the limited partnerships included above.

NOTE 3 - MORTGAGE NOTE PAYABLE

Authorization was granted to Lakeland Place limited partnership to proceed with the request for a \$3,200,000 loan from the partnership's excess reserves. If approval is granted, the loan is expected to close by the end of December 1996 and the proceeds used to retire existing debt.

REAL ESTATE ASSOCIATES LIMITED IV  
(A CALIFORNIA LIMITED PARTNERSHIP)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1996

NOTE 4 - MANAGEMENT FEE AND EXPENSES DUE TO GENERAL PARTNER

Under the terms of the Restated Certificate and Agreement of Limited Partners, the Partnership is obligated to NAPICO for an annual management fee equal to .4% of the invested assets of the limited partnerships. Invested assets are defined as the costs of acquiring project interests, including the proportionate amount of the mortgage loans related to the Partnership's interests in the capital accounts of the respective partnerships. The fee was \$379,044 for the nine months ended September 30, 1996 and 1995.

The Partnership reimburses NAPICO for certain expenses. The reimbursement paid to NAPICO was approximately \$26,000 and \$24,000 for the nine months ended September 30, 1996 and 1995, respectively, and is included in administrative expenses.

NOTE 5 - CONTINGENCIES

The corporate general partner of the partnership is a plaintiff in various lawsuits and has also been named a defendant in other lawsuits arising from transactions in the ordinary course of business. In the opinion of management and the corporate general partner, the claims will not result in any material liability to the Partnership.

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosure about Fair Value of Financial Instruments," requires disclosure of fair value information about financial instruments, when it is practicable to estimate that value. The notes payable are collateralized by the Partnership's investments in the investee limited partnerships and are payable only out of cash distributions from the investee partnerships. The operations generated by the investee limited partnerships are subject to various government rules, regulations and restrictions which make it impracticable to estimate the fair value of the notes payable and related accrued interest. The carrying amount of other assets and liabilities reported on the balance sheets that require such disclosure approximates fair value due to their short-term maturity.

REAL ESTATE ASSOCIATES LIMITED IV  
(A CALIFORNIA LIMITED PARTNERSHIP)

SEPTEMBER 30, 1996

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

The Partnership's primary sources of funds include interest income earned from investing available cash and distributions from limited partnerships in which the Partnership has invested. It is not expected that any of the local limited partnerships in which the Partnership has invested will generate cash flow sufficient to provide for distributions to limited partners in any material amount.

RESULTS OF OPERATIONS

Partnership revenues consist primarily of interest income earned on certificates of deposit and other temporary investment of funds not required for investment in local partnerships.

Operating expenses consist primarily of recurring general and administrative expenses and professional fees for services rendered to the Partnership. In addition, an annual Partnership management fee in an amount equal to .5 percent of investment assets is payable to the corporate general partner.

The Partnership accounts for its investments in the local limited partnerships on the equity method, thereby adjusting its investment balance by its proportionate share of the income or loss of the local limited partnerships. Losses incurred after the limited partnership investment balance is reduced to zero are not recognized.

Distributions received from limited partnerships are recognized as return of capital until the investment balance has been reduced to zero or to a negative amount equal to future capital contributions required. Subsequent distributions received are recognized as income.

Except for certificates of deposit and money market funds, the Partnership's investments are entirely interests in other limited partnerships owning government assisted projects. Available cash not invested in Limited Partnerships is invested in these funds earning interest income as reflected in the statements of operations. These money market funds and certificates of deposit can be converted to cash to meet obligations as they arise. The Partnership intends to continue investing available funds in this manner.

REAL ESTATE ASSOCIATES LIMITED IV  
(A CALIFORNIA LIMITED PARTNERSHIP)

SEPTEMBER 30, 1996

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As of September 30, 1996, the Partnership's Corporate General Partner was a plaintiff or defendant in several suits. None of the litigation involving the General Partner are related to REAL IV.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) No exhibits are required per the provision of Item 7 of regulation S-K.

10

13

REAL ESTATE ASSOCIATES LIMITED IV  
(A CALIFORNIA LIMITED PARTNERSHIP)

SEPTEMBER 30, 1996

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REAL ESTATE ASSOCIATES LIMITED IV  
(a California limited partnership)

By: National Partnership Investments Corp.,  
General Partner

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Bruce Nelson  
President

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Shawn Horwitz  
Executive Vice President and  
Chief Financial Officer

11

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE PARTNERSHIP'S STATEMENTS OF EARNINGS AND BALANCE SHEETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<S>	<C>
<PERIOD-TYPE>	9-MOS
<FISCAL-YEAR-END>	DEC-31-1996
<PERIOD-START>	JAN-01-1996
<PERIOD-END>	SEP-30-1996
<CASH>	6,516,237
<SECURITIES>	0
<RECEIVABLES>	0
<ALLOWANCES>	0
<INVENTORY>	0
<CURRENT-ASSETS>	6,691,237
<PP&E>	0
<DEPRECIATION>	0
<TOTAL-ASSETS>	9,889,443
<CURRENT-LIABILITIES>	21,678
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	0
<OTHER-SE>	8,288,124
<TOTAL-LIABILITY-AND-EQUITY>	9,889,443
<SALES>	0
<TOTAL-REVENUES>	1,569,817
<CGS>	0
<TOTAL-COSTS>	0
<OTHER-EXPENSES>	519,246
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	92,250
<INCOME-PRETAX>	958,321
<INCOME-TAX>	0
<INCOME-CONTINUING>	958,321
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	958,321
<EPS-PRIMARY>	0
<EPS-DILUTED>	0

</TABLE>