

Edgar Filing: GYRODYNE CO OF AMERICA INC - Form 10QSB

GYRODYNE CO OF AMERICA INC
Form 10QSB
September 09, 2005

US Securities and Exchange Commission
Washington, D.C. 20549

Form 10-QSB

(Mark One)

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

For the quarterly period ended JULY 31, 2005

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from _____ to _____

Commission file number 0-1684

Gyrodyne Company of America, Inc.

(Exact name of small business issuer as specified in its charter)

New York 11-1688021

(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

102 Flowerfield, St. James, N.Y. 11780

(Address of principal executive offices)

(631) 584-5400

(Issuer's telephone number)

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

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 No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12,13 or 15 (d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 1,230,728 shares of common stock, par value \$1.00 per share, as of July 31, 2005

Transitional Small Business Disclosure Format (Check One): Yes No

Edgar Filing: GYRODYNE CO OF AMERICA INC - Form 10QSB

Seq. Page 1

INDEX TO QUARTERLY REPORT OF GYRODYNE COMPANY OF AMERICA, INC.
QUARTER ENDED JULY 31, 2005

	Seq. Page
Form 10-QSB Cover	1
Index to Form 10-QSB	2
Part I Financial Information	3
Item I Financial Statements	3
Consolidated Balance Sheet (unaudited)	3
Consolidated Statements of Operations (unaudited)	4
Consolidated Statements of Cash Flows (unaudited)	5
Footnotes to Consolidated Financial Statements	6
Item 2 Management's Discussion and Analysis or Plan of Operation	7
Item 3 Controls and Procedures	10
Part II - Other Information	11
Item 6 Exhibits	11
Signatures	11
Exhibit 31.1 Rule 13a-14(a)/15d-14(a) Certification	12
Exhibit 32.1 CEO/CFO Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	13

Seq. Page 2

Part I Financial Information
Item I Financial Statements

GYRODYNE COMPANY OF AMERICA, INC.
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

ASSETS

July 31,
2005

REAL ESTATE
Rental property:

Edgar Filing: GYRODYNE CO OF AMERICA INC - Form 10QSB

Land	\$ 4,250
Building and improvements	3,955,011
Machinery and equipment	146,842

	4,106,103
Less accumulated depreciation	3,415,768

	690,335

Land held for development:	
Land	792,201
Land development costs	4,529,988

	5,322,189

Total real estate, net	6,012,524
CASH AND CASH EQUIVALENTS	982,861
RENT RECEIVABLE, net of allowance for doubtful accounts of \$39,955	75,622
MORTGAGE RECEIVABLE	1,000,000
PREPAID EXPENSES AND OTHER ASSETS	372,292
PREPAID PENSION COSTS	1,220,519

Total Assets	\$ 9,663,818
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	

LIABILITIES:	
Accounts payable and accrued expenses	\$ 182,324
Deferred gain on sale of real estate	874,389
Tenant security deposits payable	219,089
Loans payable	17,292
Deferred income taxes	1,679,932

Total liabilities	2,973,026

STOCKHOLDERS' EQUITY:	
Common stock, \$1 par value; authorized 4,000,000 shares; 1,531,086 shares issued	1,531,086
Additional paid-in capital	7,993,690
Deficit	(956,175)

	8,568,601
Less the cost of 300,358 shares of common stock held in the treasury	(1,877,809)

Total stockholders' equity	6,690,792

	\$ 9,663,818
	=====

See notes to consolidated financial statements

Edgar Filing: GYRODYNE CO OF AMERICA INC - Form 10QSB

GYRODYNE COMPANY OF AMERICA, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended July 31,	
	2005	2004
	----	----
REVENUE FROM RENTAL PROPERTY	\$ 494,534	\$ 499,922
	-----	-----
RENTAL PROPERTY EXPENSES:		
Real estate taxes	40,454	37,617
Operating and maintenance	88,928	149,755
Interest expense	0	9,052
Depreciation	18,686	18,058
	-----	-----
TOTAL RENTAL PROPERTY EXPENSES	148,068	214,482
	-----	-----
INCOME FROM RENTAL PROPERTY	346,466	285,440
GENERAL AND ADMINISTRATIVE EXPENSES	440,132	400,979
	-----	-----
LOSS FROM OPERATIONS	(93,666)	(115,539)
OTHER INCOME:		
Gain on sale of real estate	262,317	0
Interest income	17,512	27,562
	-----	-----
TOTAL OTHER INCOME	279,829	27,562
	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES	186,163	(87,977)
PROVISION (BENEFIT) FOR INCOME TAXES	74,466	(35,191)
	-----	-----
NET INCOME (LOSS)	\$ 111,697	\$ (52,786)
	=====	=====
NET INCOME (LOSS) PER COMMON SHARE:		
Basic	\$ 0.09	\$ (0.05)
	-----	-----
Diluted	\$ 0.09	\$ (0.05)
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic	1,217,725	1,155,838
	=====	=====
Diluted	1,263,647	1,155,838
	=====	=====

See notes to consolidated financial statements

Edgar Filing: GYRODYNE CO OF AMERICA INC - Form 10QSB

Seq. Page 4

GYRODYNE COMPANY OF AMERICA, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended July 31,	
	2005	2004
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 111,697	\$ (52,000)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	29,602	28,000
Bad debt expense	6,000	3,000
Deferred income tax provision	74,932	74,932
Pension expense	29,007	55,000
Gain on sale of real estate	(262,316)	(262,316)
Changes in operating assets and liabilities:		
Increase in assets:		
Land development costs	(97,222)	(290,000)
Accounts receivable	(19,313)	(54,000)
Prepaid expenses and other assets	(200,087)	(190,000)
Prepaid pension costs	(50,000)	(50,000)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(22,458)	102,000
Income taxes payable	0	(28,000)
Tenant security deposits	(10,195)	3,000
Total adjustments	(522,050)	(372,000)
Net cash used in operating activities	(410,353)	(424,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	0	(9,000)
Proceeds from mortgage receivable	300,000	300,000
Net cash provided by (used in) investment activities	300,000	(9,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of loans payable	(1,853)	(3,000)
Proceeds from exercise of stock options	250,662	250,662
Net cash provided by (used in) financing activities	248,809	(3,000)
Net increase (decrease) in cash and cash equivalents	138,456	(437,000)
Cash and cash equivalents at beginning of period	844,405	1,562,000

Edgar Filing: GYRODYNE CO OF AMERICA INC - Form 10QSB

Cash and cash equivalents at end of period \$ 982,861 \$ 1,124
=====

See notes to consolidated financial statements

Seq. Page 5

FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Quarterly Presentations:

The accompanying quarterly financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP"). The financial statements of the Registrant included herein have been prepared by the Registrant pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and, in the opinion of management, reflect all adjustments which are necessary to present fairly the results for the three month periods ended July 31, 2005 and 2004.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations; however, management believes that the disclosures are adequate to make the information presented not misleading.

This report should be read in conjunction with the audited financial statements and footnotes therein included in the Annual Report on Form 10-KSB for the fiscal year ended April 30, 2005.

The results of operations for the three month period ended July 31, 2005 are not necessarily indicative of the results to be expected for the full year.

2. Principle of Consolidation:

The accompanying consolidated financial statements include the accounts of Gyrodyne Company of America, Inc. ("Company") and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

3. Earnings Per Share:

Basic earnings per common share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Dilutive earnings per share gives effect to stock options and warrants which are considered to be dilutive common stock equivalents. Basic loss per common share was computed by dividing net loss by the weighted average number of shares of common stock outstanding. Diluted loss per common share does not give effect to the impact of options because their effect would have been anti-dilutive. Treasury shares have been excluded from the weighted average number of shares.

The following is a reconciliation of the weighted average shares:

	Three months ended	
	July 31,	
	2005	2004
	----	----
Basic	1,217,725	1,155,838
Effect of dilutive securities	45,922	0

Diluted	1,263,647	1,155,838
	=====	

Edgar Filing: GYRODYNE CO OF AMERICA INC - Form 10QSB

4. Income Taxes:

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

5. Revolving Credit Note:

The Company has a \$1,750,000 revolving credit line with a bank, bearing interest at a rate of prime plus one percent which was 7.25% at July 31, 2005. The line is secured by certain real estate and expires on June 1, 2006.

6. Reclassifications:

Certain reclassifications have been made to the consolidated financial statements for the year ended April 30, 2005 to conform to the classification used in the current fiscal year.

Seq. Page 6

7. Stock Options:

We have elected the disclosure only provisions of Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") in accounting for our employee stock options. Accordingly, no compensation expense has been recognized. Had the Company recorded compensation expense for the stock options based on the fair value at the grant date for awards in the three months ended July 31, 2005 and 2004 consistent with the provisions of SFAS 123, the net effect on net income (loss) and net income (loss) per share would not have been material:

8. Retirement Plans:

The Company records net periodic pension benefit cost pro rata throughout the year. The following table provides the components of net periodic pension benefit cost for the plan for the three months ended July 31, 2005 and 2004:

	Three Months Ended July, 31	
	2005	2004
	----	----
Pension Benefits		
Service Cost	\$ 34,606	\$ 32,492
Interest Cost	31,319	32,290
Expected Return on Plan Assets	(57,056)	(41,458)
Amortization of Prior-Service Cost	18,184	16,893
Amortization of Net Loss	1,954	15,019

Net Periodic Benefit Cost After Curtailments and Settlements	\$ 29,007	\$ 55,236
	=====	

During the three months ended July 31, 2005, the Company made a \$50,000 contribution to the plan. The Company has no minimum required contribution for the April 30, 2006 plan year.

Edgar Filing: GYRODYNE CO OF AMERICA INC - Form 10QSB

9. Recent Accounting Pronouncements:

In December 2004, the FASB issued Statement No. 123(R), ("FAS 123(R)") "Share-Based Payment". This statement replaces FASB Statement No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". FAS 123(R) covers a wide range of share-based compensation, including stock options, and requires that the compensation cost relating to share-based transactions be measured at fair value and recognized in the financial statements. Public entities filing as small business issuers will be required to apply Statement 123(R) in the first interim or annual reporting period beginning after December 15, 2005. Management is evaluating the impact that this Statement will have on the Company's consolidated financial statements.

Item 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The statements made in this Form 10-QSB that are not historical facts contain "forward-looking information" within the meaning of the Private Securities Litigation Reform Act of 1995, and Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act") both as amended, which can be identified by the use of forward-looking terminology such as "may," "will," "anticipates," "expects," "projects," "estimates," "believes," "seeks," "could," "should," or "continue," the negative thereof, other variations or comparable terminology. Important factors, including certain risks and uncertainties with respect to such forward-looking statements, that could cause actual results to differ materially from those reflected in such forward looking statements include, but are not limited to, the effect of economic and business conditions, including risk inherent in the Long Island, New York and Palm Beach County, Florida real estate markets, the ability to obtain additional capital in order to develop our existing real estate and other risks detailed from time to time in our SEC reports. We assume no obligation to update the information in this Form 10-QSB.

Critical Accounting Policies

The consolidated financial statements of the Company include accounts of the Company and all majority-owned and controlled subsidiaries. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the Company's consolidated financial statements and related notes. In preparing these financial statements, management has utilized information available including its past history, industry standards and the

Seq. Page 7

current economic environment, among other factors, in forming its estimates and judgments of certain amounts included in the consolidated financial statements, giving due consideration to materiality. It is possible that the ultimate outcome as anticipated by management in formulating its estimates inherent in these financial statements might not materialize. However, application of the critical accounting policies below involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. In addition, other companies may utilize different estimates, which may impact comparability of the Company's results of operations to those of companies in similar businesses.

Revenue Recognition

Edgar Filing: GYRODYNE CO OF AMERICA INC - Form 10QSB

Rental revenue is recognized on a straight-line basis, which averages minimum rents over the terms of the leases. The excess of rents recognized over amounts contractually due, if any, is included in deferred rents receivable on the Company's balance sheets. Certain leases also provide for tenant reimbursements of common area maintenance and other operating expenses and real estate taxes. Ancillary and other property related income is recognized in the period earned.

Real Estate

Rental real estate assets, including land, buildings and improvements, furniture, fixtures and equipment are recorded at cost. Tenant improvements, which are included in buildings and improvements, are also stated at cost. Expenditures for ordinary maintenance and repairs are expensed to operations as they are incurred. Renovations and/or replacements, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives.

Depreciation is computed utilizing the straight-line method over the estimated useful life of ten to thirty years for buildings and improvements and three to twenty years for machinery and equipment.

The Company is required to make subjective assessments as to the useful life of its properties for purposes of determining the amount of depreciation to reflect on an annual basis with respect to those properties. These assessments have a direct impact on the Company's net income. Should the Company lengthen the expected useful life of a particular asset, it would be depreciated over more years, and result in less depreciation expense and higher annual net income.

Real estate held for development is stated at the lower of cost or net realizable value. In addition to land, land development and construction costs, real estate held for development includes interest, real estate taxes and related development and construction overhead costs which are capitalized during the development and construction period.

Net realizable value represents estimates, based on management's present plans and intentions, of sale price less development and disposition cost, assuming that disposition occurs in the normal course of business.

Long Lived Assets

On a periodic basis, management assesses whether there are any indicators that the value of the real estate properties 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. Such future cash flow estimates consider factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. To the extent impairment occurs, the loss will be measured as the excess of the carrying amount of the property over the fair value of the property.

The Company is required to make subjective assessments as to whether there are impairments in the value of its real estate properties and other investments. These assessments have a direct impact on the Company's net income, since an impairment charge results in an immediate negative adjustment to net income. In determining impairment, if any, the Company has adopted Financial Accounting Standards Board ("FASB") Statement No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets."

Stock-Based Compensation

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, to account for stock-based employee compensation plans and reports pro forma disclosures in its Form 10-KSB filings by estimating the fair value of options issued and the related expense in accordance with SFAS No. 123. Under this method, compensation cost is recognized for awards of shares of common stock or stock options to directors, officers and employees of the Company only if the quoted market price of the stock at the grant date (or other measurement date, if later) is greater than the amount the grantee must pay to acquire the stock.

Seq. Page 8

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JULY 31, 2005
AS COMPARED TO THE THREE MONTHS ENDED JULY 31, 2004

The Company is reporting net income of \$111,697 for the quarter ending July 31, 2005 compared to a net loss of \$52,786 for the same period last year, an increase of \$164,483. Diluted per share earnings for the current period amounted to \$0.09 compared to a per share loss of (\$0.05) during the prior year. Although income from rental property operations did show improvement, the most significant contributing factor to the quarterly results was the recognition of a gain of \$262,317 resulting from a prepayment of principal on a mortgage note held by the Company.

Revenue from rental property, which amounted to \$494,534 for the current quarter, was fairly consistent with the \$499,922 recorded during the prior year. The decline is the net result of two lease terminations and five new tenancies in a period to period comparison coupled with a reduction in tenant late charges of \$5,825 which reflects a decrease in the level of problem receivables.

Rental property expenses were reduced significantly during the current reporting period, amounting to \$148,068 and \$214,482 for the three months ending July 31, 2005 and 2004, respectively. Contributing factors to the \$66,414 decline were a \$10,729 reduction in salary and benefits due to a reduced staffing level, a \$7,969 savings in security services on the property, and an overall reduction of \$46,182 in Company expenses for property and casualty insurance premiums. The latter is a result of renegotiated premiums which reduced expenses by \$9,750 for the current quarter and the collection of \$35,822 in pass through charges to tenants which were related to the prior year premium increases as reported in earlier filings. Additionally, reflecting the fact that the Company had no borrowings outstanding against its revolving credit facility, interest expense for the current reporting period was \$9,052 below the prior year. Real estate taxes increased by \$2,837 as did outside services related to property management, which increased by \$7,518 for the quarter ending July 31, 2005.

As a result, income from rental property increased by \$61,026, amounting to \$346,466 compared to the \$285,440 generated during the same three month period of the prior year.

General and Administrative expenses increased by \$39,153 for the current quarter, amounting to \$440,132 and reflect a \$50,000 expense related to the Company's investment bankers who were engaged during the quarter to explore strategic alternatives for the Company. Expenses during the same period last year amounted to \$400,979. Other contributing factors, including a reduction in pension expense of \$26,229, an \$8,972 increase in insurance premiums, and several other smaller variables, account for the overall increase between the first quarter results of fiscal 2005 when compared to the same period last year.

Edgar Filing: GYRODYNE CO OF AMERICA INC - Form 10QSB

Based on the foregoing, the Company is reporting a loss from operations of \$93,666 for the three month period ended July 31, 2005 compared to a loss of \$115,539 for the same period last year.

Other income, which reflects the gain of \$262,317 resulting from the mortgage prepayment mentioned earlier in this report, amounted to \$279,829 for the quarter ended July 31, 2005 compared to \$27,562 for the same three month period during the prior year. Interest income, which reflects the fact that the mortgage receivable had been reduced over a period of time, decreased by \$10,050 for the current quarter compared to the same quarter last year.

As a result, the Company is reporting income before taxes for the current period totaling \$186,163 compared to a loss before taxes of \$87,977 for the same period last year, an improvement of \$274,140.

LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operating activities was \$410,353 and \$424,867 during the three months ended July 31, 2005 and 2004, respectively. The principal use of cash in the current period was primarily related to the prepayment of real estate taxes as well as land development costs. The primary use of cash in the prior year were funds used in connection with planning and pre-construction costs associated with land development plans for the golf course community. The Company also incurred costs included in the capitalized land development costs pertaining to legal, and communication costs to shareholders and the community regarding the potential condemnation of the Company's real estate property by Stony Brook University.

Net cash provided by (used in) investing activities was \$300,000 and \$(9,997) during the three months ended July 31, 2005 and 2004, respectively. The cash provided by investing activities in the current period represents a prepayment of \$300,000 to the Company's mortgage receivable while the use of cash in the prior period was for capital expenditures.

Net cash provided by (used in) financing activities was \$248,809 and \$(3,051) during the three months ended July 31, 2005 and 2004, respectively. The net cash provided during the current period was primarily the result of proceeds from the exercise of stock options.

Seq. Page 9

The Company has a \$1,750,000 revolving credit line with a bank, bearing interest at a rate of prime plus one percent which was 7.25% at July 31, 2005. The unused portion of the credit line, which is the total line of \$1,750,000, will enhance the Company's financial position and liquidity and be available, if needed, to fund any unforeseen expenses.

As of July 31, 2005, the Company had cash and cash equivalents of \$982,861 as well as a mortgage receivable of \$1,000,000 due on August 8, 2005, which has now been collected in full, and anticipates having the capacity to fund normal operating and administrative expenses and its regular debt service requirements. To date, expenses associated with the development of the Flowerfield property, which have been capitalized, total \$4,529,988. As of July 31, 2005, the portion of those expenses attributable to the residential golf course community amount to \$2,297,606. Working capital, which is the total of current assets less current liabilities as shown in the accompanying chart, amounted to \$1,975,802 at July 31, 2005.

July 31,

Edgar Filing: GYRODYNE CO OF AMERICA INC - Form 10QSB

	2005	2004
	----	----
Current assets:		
Cash and cash equivalents	\$ 982,861	\$1,124,728
Rent receivable, net	75,622	144,295
Mortgage receivable	1,000,000	0
Net prepaid expenses and other assets	326,143	316,059
	-----	-----
Total current assets	2,384,626	1,585,082
	-----	-----
Current liabilities:		
Accounts payable and accrued expenses	182,324	335,076
Tenant security deposits payable	219,089	198,285
Current portion of loans payable	7,411	8,610
	-----	-----
Total current liabilities	408,824	541,971
	-----	-----
Working capital	\$1,975,802	\$1,043,111
	=====	=====

LIMITED PARTNERSHIP INVESTMENT

Our limited partnership investment in the Callery Judge Grove, LP is carried on the Company's balance sheet at \$0 as a result of recording losses equal to the carrying value of the investment. This investment represents a 10.93% ownership interest in a limited partnership that owns a 3500+ acre citrus grove in Palm Beach County, Florida. The land is currently the subject of a change of zone application for a mixed use of residential, commercial and industrial development. We have no current forecast as to the likelihood of, or the timing required to achieve these entitlements that might impact the Grove's value.

(c) OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial conditions, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Item 3 CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of July 31, 2005. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer has concluded that the disclosure controls and procedures were effective, in all material respects, to ensure that information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. It should be noted that design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions regardless of how remote.

There have been no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rule 13a-15 that occurred during the Company's last fiscal quarter that has materially affected, or that is reasonably likely to materially affect, the Company's internal control over financial reporting.

Seq. Page 10

Part II Other Information

Items 1 through 5 are not applicable to the three months ended July 31, 2005.

Item 6 Exhibits

31.1 Rule 13a-14(a)/15d-14(a) Certification.

32.1 CEO/CFO Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GYRODYNE COMPANY OF AMERICA, INC.

Date: August 31, 2005

/S/ Stephen V. Maroney

Stephen V. Maroney
President, Chief Executive Officer and Treasurer

Date: August 31, 2005

/S/ Frank D'Alessandro

Frank D'Alessandro
Controller

Seq. Page 11