PREFERRED APARTMENT COMMUNITIES INC
Form 8-K
November 18, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 18, 2016
Preferred Apartment Communities, Inc.
(Exact Name of Registrant as Specified in its Charter)

Maryland	001-34995	27-1712193
(State or other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

3284 Northside Parkway NW, Suite 150, Atlanta, Georgia	30327
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (770) 818-4100

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events.

Preferred Apartment Communities, Inc. (the "Company") acquired the following properties that are individually insignificant but that are significant in the aggregate:

On January 15, 2016, PAC Crosstown Walk, LLC completed the acquisition of a fee simple interest in a 342-unit multifamily community in Tampa, Florida ("Crosstown Walk") from an unrelated third party.

On February 1, 2016, PAC Overton Rise, LLC completed the acquisition of a fee simple interest in a 294-unit multifamily community in Atlanta, Georgia ("Overton Rise") from an unrelated third party.

Each of the purchasing entities are indirect, wholly owned subsidiaries of Preferred Apartment Communities Operating Partnership, L.P. ("PAC-OP"). The Company is the general partner of, and as of September 30, 2016 was the owner of an approximate 96.5% interest in, PAC-OP.

The aggregate purchase price paid for the above-described property acquisitions (the "Acquired Properties") was approximately $106.9 million, exclusive of acquisition-related and financing-related transaction costs.

This Current Report on Form 8-K is filed to provide certain financial information related to the Acquired Properties.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Businesses Acquired.

(b) Pro Forma Financial Information.

(c) Exhibits

23.1 Consent of Moore, Colson & Company, P.C.

IRIS CROSSTOWN APARTMENTS, LLC
STATEMENT OF REVENUES AND CERTAIN EXPENSES

WITH INDEPENDENT AUDITOR’S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
Preferred Apartment Communities, Inc.
Atlanta, Georgia

We have audited the accompanying statement of revenues and certain expenses of the Iris Crosstown Apartments, LLC for the year ended December 31, 2015, and the related notes to the statement of revenues and certain expenses.

Management's Responsibility for the Statement of Revenues and Certain Expenses

Management is responsible for the preparation and fair presentation of the statement of revenues and certain expenses in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statement of revenues and certain expenses that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues and certain expenses is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of revenues and certain expenses. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of revenues and certain expenses, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statement of revenues and certain expenses in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement of revenues and certain expenses.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statement of revenues and certain expenses referred to above presents fairly, in all material respects, the revenues and certain expenses described in Note 2 of the Iris Crosstown Apartments, LLC's statement of revenues and certain expenses for the year ended December 31, 2015, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

We draw attention to Note 2 to the statement of revenues and certain expenses, which describes that the accompanying statement of revenues and certain expenses was prepared for the purpose of complying with the rules and regulations under Rule 3-14 of Regulation S-X of the Securities and Exchange Commission (for inclusion in the Form 8-K of Preferred Apartment Communities, Inc.) and is not intended to be a complete presentation of Iris Crosstown Apartments, LLC's revenues and expenses. Our opinion is not modified with respect to this matter.

/s/ Moore, Colson & Company, P.C.

Marietta, Georgia
November 18, 2016

Iris Crosstown Apartments, LLC
Statement of Revenues and Certain Expenses
for the year ended December 31, 2015

REVENUES:	
Rental revenue	$4,497,336
Other income	180,256
TOTAL REVENUES	4,677,592
CERTAIN EXPENSES:	
Salaries and employee benefits	499,476
Repairs and maintenance	275,584
Utilities	94,921
Property management fees	145,886
Real estate taxes	633,979
Property insurance	113,870
Miscellaneous operating expenses	195,721
TOTAL CERTAIN EXPENSES	1,959,437
REVENUES IN EXCESS OF CERTAIN EXPENSES	$2,718,155

See accompanying Notes to Statement of Revenues and Certain Expenses.

IRIS CROSSTOWN APARTMENTS, LLC
NOTES TO THE STATEMENT OF REVENUE AND CERTAIN EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

1. DESCRIPTION OF REAL ESTATE PROPERTY ACQUIRED

Preferred Apartment Communities, Inc. (the “Company”) was formed as a Maryland corporation on September 18, 2009, and has elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, effective with its tax year ended December 31, 2011. The Company was formed primarily to acquire and operate multifamily property in select targeted markets throughout the United States. The Company is a majority owner in Preferred Apartment Communities Operating Partnership, L.P., which acquired a 342 unit multifamily community located in Tampa, Florida (“Crosstown Walk” or the “Property”) from Iris Crosstown Apartments, LLC, an unaffiliated third party (the “Seller”) on January 15, 2016. In partial support of the development of Crosstown Walk, the Company had extended a real estate investment loan of $10,962,000 to the Seller, which was repaid at the date of the closing of the sale of the Property. The accompanying Statement of Revenues and Certain Expenses for the year ended December 31, 2015 of Crosstown Walk represents revenues and results of operations for the period preceding the acquisition of Crosstown Walk by the Company. Prior to January 15, 2016, the Seller was responsible for the accounting and management decisions of Crosstown Walk.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying Statement of Revenues and Certain Expenses has been prepared for the purpose of complying with Rule 3-14 of Regulation S-X promulgated under the Securities Act of 1933, as amended, and accordingly, is not representative of the actual results of operations of the Property, due to the exclusion of the following which may not be comparable to the proposed future operations of Crosstown Walk:

- Depreciation expense
- Interest expense, including amortization of mortgage loan origination costs
- Capital expenditures
- Other miscellaneous expenses not directly related to the proposed future operations of the Property.

Except as noted above and for the subsequent lease up activity related to Crosstown Walk, management is not aware of any material factors relating to the Property that would cause the reported financial information not to be indicative of future operating results. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for the fair presentation of the Statement of Revenues and Certain Expenses have been included.

B. Use of Estimates

The preparation of the Statement of Revenues and Certain Expenses in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and certain expenses. Actual results could differ from those estimates.

C. Revenue Recognition

The Property is leased under operating leases with terms generally of one year or less. Rental revenue for residential leases, which include periods of free rent and/or scheduled increases in rental rates over the term of the lease, are recognized on a straight line basis.

D. Operating Expenses

Operating expenses represent the direct expenses of operating the Property and consist primarily of

IRIS CROSSTOWN APARTMENTS, LLC
NOTES TO THE STATEMENT OF REVENUE AND CERTAIN EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
salaries and employee benefits, repairs and maintenance, utilities, management fees, real estate taxes, property insurance and other miscellaneous operating expenses that are expected to continue in the proposed future operations of the Property.

E. Advertising costs

Advertising costs are expensed when incurred. Advertising costs for the year ended December 31, 2015 totaled $96,500 and are included in miscellaneous operating expenses.

F. Subsequent Events

The Company has evaluated events through November 18, 2016, the date the Statement of Revenues and Certain Expenses was available to be issued and concluded that no subsequent events have occurred that would require recognition in the Statement of Revenues and Certain Expenses or disclosure in the Notes to the Statement of Revenues and Certain Expenses.

3. COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. There is no material litigation nor to management's knowledge is any material litigation currently threatened against the Property other than routine litigation, claims and administrative proceedings arising in the ordinary course of business.

4. MANAGEMENT AGREEMENT

During the period prior to the acquisition of Crosstown Walk by the Company, a property management fee was charged based on the greater of a fixed minimum monthly dollar amount of $25 per leased unit, or 3.25% of gross rental income. For the year ended December 31, 2015, property management fees of $145,886 were charged to operations. Following the acquisition of Crosstown Walk, a property management fee of 4% of gross monthly income is paid to Preferred Apartment Advisors, LLC, (the “Manager”) a related party of the Company.

5. CONCENTRATION OF RISK

Crosstown Walk is located in Tampa, Florida. The Company’s concentration of assets in this city is subject not only to the risks of real property ownership but also local and national economic growth trends.

NEWPORT OVERTON, LLC
STATEMENT OF REVENUES AND CERTAIN EXPENSES

WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of Preferred Apartment Communities, Inc.
Atlanta, Georgia

We have audited the accompanying statement of revenues and certain expenses of Newport Overton, LLC for the year ended December 31, 2015, and the related notes to the statement of revenues and certain expenses.

Management's Responsibility for the Statement of Revenues and Certain Expenses

Management is responsible for the preparation and fair presentation of the statement of revenues and certain expenses in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the statement of revenues and certain expenses that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the statement of revenues and certain expenses based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues and certain expenses is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of revenues and certain expenses. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of revenues and certain expenses, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statement of revenues and certain expenses in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statement of revenues and certain expenses.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statement of revenues and certain expenses referred to above presents fairly, in all material respects, the revenues and certain expenses described in Note 2 of the Newport Overton, LLC's statement of revenues and certain expenses for the year ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

We draw attention to Note 2 to the statement of revenues and certain expenses, which describes that the accompanying statement of revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of Newport Overton, LLC's revenues and expenses. Our opinion is not modified with respect to this matter.

/s/ Moore, Colson & Company, P.C.

Marietta, Georgia
November 18, 2016

Newport Overton, LLC
Statement of Revenues and Certain Expenses
For the year ended December 31, 2015

REVENUES:	
Rental revenue	$2,871,139
Other income	223,989
TOTAL REVENUES	3,095,128
CERTAIN EXPENSES:	
Salaries and employee benefits	416,221
Repairs and maintenance	101,533
Utilities	90,895
Property management fees	119,992
Real estate taxes	565,751
Property insurance	63,697
Miscellaneous operating expenses	276,503
TOTAL CERTAIN EXPENSES	1,634,592
REVENUES IN EXCESS OF CERTAIN EXPENSES	$1,460,536

See accompanying notes to Statement of Revenue and Certain Expenses.

NEWPORT OVERTON, LLC
NOTES TO THE STATEMENT OF REVENUE AND CERTAIN EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

1. DESCRIPTION OF REAL ESTATE PROPERTY ACQUIRED

Preferred Apartment Communities, Inc. (the “Company”) was formed as a Maryland corporation on September 18, 2009, and has elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, effective with its tax year ended December 31, 2011. The Company was formed primarily to acquire and operate multifamily properties in select targeted markets throughout the United States. The Company is a majority owner in Preferred Apartment Communities Operating Partnership, L.P., which acquired a 294-unit multifamily community located in Atlanta, Georgia (“Overton Rise”, or the "Property") from Newport Overton, LLC, an unaffiliated third party (the “Seller”) on February 1, 2016. In partial support of the development of Overton Rise, the Company had extended a real estate investment loan of $16.6 million to the Seller, which was repaid at the date of the closing of the sale of the property. The accompanying Statement of Revenues and Certain Expenses for the year ended December 31, 2015 of Overton Rise represents revenues and results of operations for the period preceding the acquisition of Overton Rise by the Company. Prior to February 1, 2016, the Seller was responsible for the accounting and management decisions of Overton Rise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying Statement of Revenues and Certain Expenses has been prepared for the purpose of complying with Rule 3-14 of Regulation S-X promulgated under the Securities Act of 1933, as amended, and accordingly, is not representative of the actual results of operations of the Property, due to the exclusion of the following which may not be comparable to the proposed future operations of Overton Rise:

- Depreciation expense
- Interest expense, including amortization of mortgage loan origination costs
- Capital expenditures
- Other miscellaneous expenses not directly related to the proposed future operations of the Property.

Except as noted above and for the subsequent lease up activity related to Overton Rise, management is not aware of any material factors relating to the Property that would cause the reported financial information not to be indicative of future operating results. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary for the fair presentation of the Statement of Revenues and Certain Expenses have been included.

B. Use of Estimates

The preparation of the Statement of Revenues and Certain Expenses in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and certain expenses. Actual results could differ from those estimates.

C. Revenue Recognition

Residential properties are leased under operating leases with terms generally of one year or less. Rental revenues for residential leases, which include period of free rent and/or scheduled increases in rental rates over the term of the lease, are recognized on a straight line basis.

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NEWPORT OVERTON, LLC
NOTES TO THE STATEMENT OF REVENUE AND CERTAIN EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Operating Expenses

Operating expenses represent the direct expenses of operating the Property and consist primarily of salaries and employee benefits, repairs and maintenance, utilities, management fees, real estate taxes, property insurance and other miscellaneous operating expenses that are expected to continue in the proposed future operations of the Property.

E. Advertising costs

Advertising costs are expensed when incurred. Advertising costs for the year ended December 31, 2015 totaled $147,441 and are included in miscellaneous operating expenses.

F. Subsequent Events

The Company has evaluated events through November 18, 2016, the date the Statement of Revenues and Certain Expenses was available to be issued and concluded that no subsequent events have occurred that would require recognition in the Statement of Revenues and Certain Expenses or disclosure in the Notes to the Statement of Revenues and Certain Expenses.

3. COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. There is no material litigation nor to management's knowledge is any material litigation currently threatened against the Property other than routine litigation, claims and administrative proceedings arising in the ordinary course of business.

4. MANAGEMENT AGREEMENT

During the period prior to the acquisition of Overton Rise by the Company, a property management fee was charged based on the greater of a fixed minimum monthly dollar amount of $25 per leased unit, or 3.25% of gross rental income. For the year ended December 31, 2015, property management fees of $119,992 were charged to operations. Following the acquisition of Overton Rise, a property management fee of 4% of gross monthly income is paid to Preferred Apartment Advisors, LLC, (the “Manager”) a related party of the Company.

5. CONCENTRATION OF RISK

Overton Rise is located in Atlanta, Georgia. The Company’s concentration of assets in this city is subject not only to the risks of real property ownership but also local and national economic growth trends.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Unaudited Pro Forma Condensed Consolidated Statements of Operations of the Company are presented for the nine months ended September 30, 2016 and the year ended December 31, 2015 (the "Pro Forma Periods"), and illustrate the estimated effects of the acquisitions of Crosstown Walk and Overton Rise as if they had occurred on January 1, 2015.

The acquisitions of Crosstown Walk and Overton Rise occurred on January 15, 2016 and February 1, 2016 respectively and are reflected in the Company's actual historical balance sheet as of September 30, 2016. An Unaudited Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2016 is therefore not presented.

This unaudited pro forma condensed consolidated financial information is presented for informational purposes only and does not purport to be indicative of the Company's financial results as if the transactions reflected herein had occurred on the date or been in effect during the period indicated. This pro forma condensed consolidated financial information should not be viewed as indicative of the Company's financial results in the future and should be read in conjunction with the Company's financial statements as filed on Form 10-K for the year ended December 31, 2015 and on Form 10-Q for the interim period ended September 30, 2016.

Preferred Apartment Communities, Inc.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
for the Nine Months Ended September 30, 2016

PAC
REIT
Historical
(See note
1)