AMERICAN HEALTHCARE REIT, INC.

FORM 8-K/A
(Amended Current report filing)

Filed 05/08/17 for the Period Ending 03/13/17

Address	18191 VON KARMAN AVENUE SUITE 300 IRVINE, CA, 92612
Telephone	949-270-9200
CIK	0001632970
SIC Code	6798 - Real Estate Investment Trusts
Industry	Specialized REITs
Sector	Financials
Fiscal Year	12/31

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

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported): **March 13, 2017**

Griffin-American Healthcare REIT IV, Inc.

(Exact name of registrant as specified in its charter)

Maryland	**000-55775**	**47-2887436**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

18191 Von Karman Avenue, Suite 300 **Irvine, California**	**92612**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(949) 270-9200**

Not Applicable
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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

INFORMATION TO BE INCLUDED IN THE REPORT

We previously filed a Current Report on Form 8-K, or the Form 8-K, on March 17, 2017, reporting our acquisition of Reno Medical Office Building, or Reno MOB, as described in the Form 8-K. We are filing this Current Report on Form 8-K/A, Amendment No. 1, to provide the financial information required by Item 9.01.

On March 13, 2017, we acquired Reno MOB from Arlington Medical Properties, LLC, an unaffiliated third party, for $66,250,000, plus closing costs. We financed the purchase of Reno MOB using cash on hand and borrowings under our revolving line of credit with Bank of America, N.A. and KeyBank, National Association. In connection with the acquisition of Reno MOB, we paid to Griffin-American Healthcare REIT IV Advisor, LLC, our advisor, a base acquisition fee of approximately $1,491,000, or 2.25% of the contract purchase price of Reno MOB. Additionally, as described more fully in the prospectus for our initial public offering, we have accrued for a contingent advisor payment of approximately $1,491,000, or 2.25% of the contract purchase price of the property, which shall be paid to our advisor, subject to the satisfaction of certain conditions.

Reno MOB is a six-story medical office building located in Reno, Nevada that consists of approximately 191,000 square feet and is currently 100% leased to seven tenants, the largest of which is Prime Healthcare Services – Reno, LLC. Medical services provided at Reno MOB include wellness services, physical therapy, obstetrics and gynecology, oncology, radiology, women’s health, neurology, bariatrics and internal medicine.

In evaluating Reno MOB as a potential acquisition and determining the appropriate amount of consideration to be paid, we considered a variety of factors including the overall valuation based on net operating income, location, demographics, quality of the tenants, length of leases, price per square foot, occupancy and the fact that the overall rental rate at the property is comparable to market rates.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

The Audited Statement of Revenues and Certain Expenses of Reno MOB For The Year Ended December 31, 2016 is filed herewith as Exhibit 99.1. The Consent of Independent Audit Firm, KMJ Corbin & Company LLP, dated May 8, 2017, is attached as Exhibit 23.1.

(b) Pro forma financial information.

The Unaudited Pro Forma Consolidated Statement of Operations of Griffin-American Healthcare REIT IV, Inc. For the Year Ended December 31, 2016 is filed herewith as Exhibit 99.2.

(d) Exhibits.

Exhibit No.	Description
23.1	Consent of Independent Audit Firm, KMJ Corbin & Company LLP, dated May 8, 2017
99.1	Audited Statement of Revenues and Certain Expenses of Reno MOB For The Year Ended December 31, 2016
99.2	Unaudited Pro Forma Consolidated Statement of Operations of Griffin-American Healthcare REIT IV, Inc. For the Year Ended December 31, 2016

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 hereunto duly authorized.

Griffin-American Healthcare REIT IV, Inc.

May 8, 2017

By: /s/ Jeffrey T. Hanson

Name: *Jeffrey T. Hanson*

Title: *Chief Executive Officer*

Exhibit Index

Exhibit No.	Description
23.1	Consent of Independent Audit Firm, KMJ Corbin & Company LLP, dated May 8, 2017
99.1	Audited Statement of Revenues and Certain Expenses of Reno MOB For The Year Ended December 31, 2016
99.2	Unaudited Pro Forma Consolidated Statement of Operations of Griffin-American Healthcare REIT IV, Inc. For the Year Ended December 31, 2016

EXHIBIT 23.1

Consent of Independent Audit Firm

We consent to the incorporation by reference in the Registration Statement on Form S-11 (No. 333-205960) of Griffin-American Healthcare REIT IV, Inc. and in the related Prospectus of our report dated May 8, 2017, with respect to the statement of revenues and certain expenses of Reno Medical Office Building, included in this Current Report on Form 8-K/A.

/s/ KMJ Corbin & Company LLP
KMJ Corbin & Company LLP

Costa Mesa, California
May 8, 2017

EXHIBIT 99.1

RENO MEDICAL OFFICE BUILDING

STATEMENT OF REVENUES AND CERTAIN EXPENSES

For The Year Ended December 31, 2016

with

INDEPENDENT AUDITORS' REPORT THEREON

INDEPENDENT AUDITORS' REPORT

To the Owner of
Reno Medical Office Building

We have audited the accompanying statement of revenues and certain expenses of Reno Medical Office Building (the "Property") for the year ended December 31, 2016 and the related footnotes.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement 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 financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Property's preparation and fair presentation of the financial statements 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 Property'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 financial statement.

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 present fairly, in all material respects, the revenues and certain expenses as described in Note 1 of the Property's financial statement for the year ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

As described in Note 1 to the financial statement, the 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 the Property's revenues and expenses. Our opinion is not modified with respect to this matter.

/s/ KMJ Corbin & Company LLP
KMJ | Corbin & Company LLP

Costa Mesa, California
May 8, 2017

RENO MEDICAL OFFICE BUILDING

STATEMENT OF REVENUES AND CERTAIN EXPENSES

	Year Ended December 31, 2016
Revenues:	
Rental income	$ 5,949,000
Certain expenses:	
Building and ground maintenance	446,000
Real estate taxes	326,000
Electricity, water and gas utilities	182,000
Property management fees	213,000
Insurance	66,000
General and administrative	49,000
Ground lease	95,000
Total certain expenses	1,377,000
Revenues in excess of certain expenses	$ 4,572,000

The accompanying notes are an integral part of the statement of revenues and certain expenses

NOTE 1 — ORGANIZATION AND BASIS OF PRESENTATION

Organization

The accompanying statement of revenues and certain expenses include the operations of Reno Medical Office Building, or the Property, located in Reno, Nevada. The Property has approximately 191,000 square feet of gross leaseable area, or GLA, and was 100% occupied as of December 31, 2016.

Basis of Presentation

The accompanying statement of revenues and certain expenses have been prepared for the purpose of complying with the provisions of Rule 3-14 of Regulation S-X promulgated by the U.S. Securities and Exchange Commission, or the SEC, which requires certain information with respect to real estate operations to be included with certain filings with the SEC. The statement of revenues and certain expenses includes the historical revenues and certain operating expenses of the Property, exclusive of items which may not be comparable to the proposed future operations of the Property. Material amounts that would not be directly attributable to future operating results of the Property are excluded, and therefore, the statement of revenues and certain expenses is not intended to be a complete presentation of the Property's revenues and expenses. Items excluded consist of interest expense, depreciation and amortization and federal and state income taxes.

The accompanying statement of revenues and certain expenses is not representative of the actual operations for the periods presented, as certain expenses that may not be comparable to the expenses expected to be incurred by Griffin-American Healthcare REIT IV, Inc. in the future operations of the Property have been excluded.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

All leases are classified as operating leases and minimum rents are recognized on a straight-line basis over the terms of the lease (including rent holidays). Tenant reimbursements for real estate taxes, common area maintenance and other recoverable costs are recognized as rental income in the period that the expenses are incurred.

Repairs and Maintenance

Repairs and maintenance costs are expensed as incurred, while significant improvements, renovations and replacements are capitalized.

Property Management Fees

For the year ended December 31, 2016, the owner of the Property contracted with a related entity to manage the Property for a monthly fee of 3.5% of gross receipts. For the year ended December 31, 2016, the Property incurred management fees totaling $213,000.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and certain expenses during the reporting periods. Actual results could differ materially from those estimates.

NOTE 3 — LEASES

The Property has entered into operating lease agreements with tenants that expire at various dates through 2029 and are subject to fixed and CPI increases in base rent. The aggregate annual future minimum lease payments to be received under the existing non-cancelable operating leases as of December 31, 2016 are as follows:

Years Ending December 31,		
2017	$	4,005,000
2018		3,720,000
2019		3,746,000
2020		2,945,000
2021		2,039,000
Thereafter		7,211,000
	$	23,666,000

The leases also require reimbursement of the tenants' proportional share of common area expenses, real estate taxes and other expenses, which are not included in the amounts above.

NOTE 4 — TENANT CONCENTRATION

For the year ended December 31, 2016, the Property had one tenant occupying 79.7% of the aggregate GLA.

NOTE 5 — COMMITMENTS AND CONTINGENCIES

Litigation

The Property may be subject to legal claims in the ordinary course of business as a property owner. Management believes that the ultimate settlement of any potential claims will not have a material impact on the Property's results of operations.

Environmental Matters

In connection with the ownership and operation of real estate, the Property may be potentially liable for costs and damages related to environmental matters. The Property has not been notified by any governmental authority of any non-compliance, liability or other claim, and management is not aware of any other environmental condition that it believes will have a material adverse effect on the Property's results of operations.

NOTE 5 — COMMITMENTS AND CONTINGENCIES, continued

Ground Lease

The Property has entered into a ground lease with an unrelated third party that expires in 2100 (considering all renewal periods). This lease includes provisions for CPI rent escalations. The aggregate future minimum lease payments payable by the Property under the non-cancelable ground lease as of December 31, 2016 are as follows:

Years Ending December 31,		
2017	$	95,000
2018		95,000
2019		95,000
2020		95,000
2021		95,000
Thereafter		7,505,000
	$	7,980,000

For the year ended December 31, 2016, the Property recorded $95,000 related to the ground lease, which is included in the accompanying statement of revenues and certain expenses.

Other Matters

Other commitments and contingencies include the usual obligations of a real estate property in the normal course of business. In the opinion of management, these matters are not expected to have a material adverse effect on the Property's financial position and/or results of operations.

NOTE 6 — SUBSEQUENT EVENT

On March 13, 2017, Griffin-American Healthcare REIT IV, Inc., through its subsidiary, purchased the Property located in Reno, Nevada for a purchase price of $66,250,000, plus closing costs.

EXHIBIT 99.2

Griffin-American Healthcare REIT IV, Inc.

Pro Forma Consolidated Statement of Operations
For the Year Ended December 31, 2016

The accompanying unaudited pro forma consolidated statement of operations (including the notes thereto) is qualified in its entirety by reference to and should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2016. In management's opinion, all adjustments necessary to reflect the transactions have been made.

The accompanying unaudited pro forma consolidated statement of operations for the year ended December 31, 2016 is presented as if we acquired Reno Medical Office Building, or Reno MOB, on January 1, 2016. Reno MOB was acquired using a combination of debt financing from our line of credit and proceeds, net of offering costs, received from our offering through the acquisition date. As our line of credit was not obtained until August 2016, the pro forma adjustments assume that the acquisition and all related acquisition costs were all funded by our public offering, net of offering costs, at a price of $10.00 per share.

The accompanying unaudited pro forma consolidated statement of operations is unaudited and is subject to a number of estimates, assumptions, and other uncertainties, and does not purport to be indicative of the actual results of operations that would have occurred had the acquisition reflected therein in fact occurred on the dates specified, nor do such financial statements purport to be indicative of the results of operations that may be achieved in the future.

GRIFFIN-AMERICAN HEALTHCARE REIT IV, INC.
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2016

	Company Historical (A)	Reno MOB Historical (B)	Pro Forma Adjustments		Company Pro Forma	
Revenue:						
Real estate revenue	$ 3,156,000	$ 5,949,000	$ (2,000)	(C)	$ 9,103,000	
Total revenue	3,156,000	5,949,000	(2,000)		9,103,000	
Expenses:						
Rental expenses	898,000	1,233,000	41,000	(D)	2,172,000	
General and administrative	1,221,000	144,000	458,000	(E)	1,823,000	
Acquisition related expenses	4,745,000	—	—		4,745,000	
Depreciation and amortization	1,252,000	—	2,514,000	(F)	3,766,000	
Total expenses	8,116,000	1,377,000	3,013,000		12,506,000	
(Loss) income from operations	(4,960,000)	4,572,000	(3,015,000)		(3,403,000)	
Other expense:						
Interest expense (including amortization of deferred financing costs and debt premium)	(514,000)	—	—		(514,000)	
Net (loss) income	(5,474,000)	4,572,000	(3,015,000)		(3,917,000)	
Less: net loss attributable to redeemable noncontrolling interest	—	—	—		—	
Net (loss) income attributable to controlling interest	$ (5,474,000)	$ 4,572,000	$ (3,015,000)		$ (3,917,000)	
Net loss per Class T and Class I common share attributable to controlling interest — basic and diluted	$ (1.75)				$ (0.37)	
Weighted average number of Class T and Class I common shares outstanding — basic and diluted	3,131,466				10,526,131	(G)

The accompanying notes are an integral part of this unaudited pro forma consolidated financial statement.

Griffin-American Healthcare REIT IV, Inc.

Notes to Unaudited Pro Forma Consolidated Statement of Operations

1. Basis of Pro Forma Presentation

We have accounted for the acquisition of Reno MOB under the acquisition method of accounting in accordance with the authoritative guidance on business combinations. The accounting for the acquisition was based on a preliminary valuation of the assets acquired and liabilities assumed and are subject to revision as more detailed analyses are completed and additional information about the fair value of assets acquired and liabilities assumed become available. The final allocation may include changes to the amount of intangible assets as well as other items. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma consolidated financial information. Differences between these preliminary estimates and the final acquisition accounting may occur and these differences could be material. Additionally, the differences, if any, could have a material impact on the accompanying unaudited pro forma consolidated statement of operations and our future results of operations.

2. Notes to Unaudited Pro Forma Consolidated Statement of Operations for the Year Ended December 31, 2016

(A) As reported in our Annual Report on Form 10-K for the year ended December 31, 2016.

(B) As reported in the historical financial statements of Reno MOB included in this filing.

(C) Amount represents: (i) amortization of below market leases from tenants amortized straight-line over the life of the leases of $7,000 and (ii) reduction of straight-line rental income of $9,000.

(D) Amount represents: (i) incremental property tax expense of $9,000, (ii) reduction in insurance of $50,000, (iii) income from straight-line amortization of our above market ground lease over the life of the lease of $8,000 and (iv) a property management fee of $90,000. Pursuant to our advisory agreement, our advisor is paid a monthly fee for services rendered in connection with property management oversight equal to 1.5% of gross monthly cash receipts. As such, we assumed that the year ended December 31, 2016 was the first annual term of this agreement.

(E) Amount represents: (i) a reduction of historical general and administrative costs of $48,000 and (ii) asset management fees of $506,000. Pursuant to our advisory agreement, our advisor is paid a monthly fee for services rendered in connection with the management of our assets equal to one-twelfth of 0.80% of average invested assets.

(F) Amount represents depreciation and amortization expense on the allocation of the purchase price. Depreciation and amortization expense is recognized using the straight-line method over an estimated useful life of 39.0 years, 0.2 to 12.4 years and 3.0 to 12.4 years for buildings, improvements and in-place leases, respectively.

(G) Amount represents the weighted average number of shares of our common stock from our offering as of December 31, 2016, adjusted to include additional shares, at $10.00 and $9.30 per share for Class T and Class I shares, respectively, required to generate sufficient offering proceeds, net of offering costs, to fund the purchase of Reno MOB, including non-recurring acquisition costs of $1,597,000. The calculation assumes these proceeds were raised as of January 1, 2016 through the sale of Class T shares only as the offering of Class I shares was not effective until June 17, 2016.