

Edgar Filing: BRT Apartments Corp. - Form 8-K

BRT Apartments Corp.
Form 8-K
December 19, 2018

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): October 30, 2018

BRT APARTMENTS CORP.
(Exact name of Registrant as specified in charter)

Maryland	001-07172	13-2755856
(State or other jurisdiction of incorporation)	(Commission file No.)	(IRS Employer I.D. No.)

60 Cutter Mill Road, Suite 303, Great Neck, New York 11021
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: 516-466-3100

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 (see General Instruction A.2. below):

- ☐ 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) of Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b2 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. ☐

Explanatory Note

We are filing this current report on Form 8-K (the "Current Report") to include under (i) Item 9.01(a), the audited statement of revenues and certain expenses of Crestmont at Thornblade, a 266-unit multi-family property located at 75 Crestmont Way, Greenville, SC, for the year ended December 31, 2017 and (ii) Item 9.01(b), our unaudited pro-forma financial statements reflecting the acquisition of Crestmont at Thornblade.

Crestmont at Thornblade was purchased by a joint venture on October 30, 2018, for \$37.8 million, including \$26.4 million of mortgage debt obtained in connection with the acquisition. The mortgage debt bears interest at a fixed rate of 4.69%, matures in November 2028, is interest only until for five years, amortizes thereafter on a 30 year schedule, with a balloon payment of the unpaid principal and interest due at maturity. We contributed \$12.9 million to this venture for our 90% controlling interest.

Item 9.01 Financial Statements and Exhibits.

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Statements of
Income:

For the year ended
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Financial Statements

(d) Exhibits

Exhibit No.	Title of Exhibit
<u>23.1</u>	Consent of BDO USA, LLP, dated December 19, 2018

Independent Auditor's Report

Stockholders and Board of Directors
BRT Apartments Corp.
Great Neck, New York

We have audited the accompanying statement of revenues and certain expenses of the property located at 75 Crestmont Way, Greenville, SC ("Crestmont at Thornblade") for the year ended December 31, 2017.

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 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 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 controls 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 controls. 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 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 of Crestmont at Thornblade for the year ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with rules and regulations of the U.S. Securities and Exchange Commission and for inclusion in a Current Report on Form 8-K of BRT Apartments Corp. as described in Note 2 to the statement of revenues and certain expenses and is not intended to be a complete presentation of Crestmont at Thornblade's revenues and expenses. Our opinion is not modified with respect to this matter.

/s/ BDO USA, LLP
New York, New York
December 19, 2018

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Crestmont at Thornblade
Statement of Revenues and Certain Expenses
(Amounts in Thousands)

	Year ended December 31, 2017	Nine Months ended September 30, 2018 (unaudited)
Revenues:		
Rental income	\$3,138	\$2,372
Other income	178	175
Rental and other income	3,316	2,547
Certain Expenses:		
Payroll	376	300
Real estate taxes	386	288
Utilities	126	110
Repairs and maintenance	250	181
Management fees	103	78
Insurance	49	33
Total certain expenses	1,290	990
Revenues in excess of certain expenses	\$2,026	\$1,557

See Independent Auditor's Report and accompanying notes to the Statement of Revenues and Certain Expenses

Crestmont at Thornblade
Notes to Statement of Revenues and Certain Expenses

1. Organization

Crestmont at Thornblade, located at 75 Crestmont Way, Greenville, SC (the "Property") is a 266-unit multi-family property.

BRT Apartments Corp. ("BRT" or the "Company") is a corporation organized in Maryland. BRT is a real estate investment trust, also known as a REIT, that is focused on the ownership, operation and development of multi-family properties.

On October 30, 2018, a consolidated joint venture comprised of an indirect subsidiary of the Company and an unaffiliated joint venture partner acquired the Property for \$37.8 million, including \$26.4 million of mortgage debt. The Company has a 90% controlling interest in the joint venture.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying statement of revenues and certain expenses of the Property have been prepared in accordance with Rule 3-14 of Regulation S-X of the U.S. Securities and Exchange Commission for inclusion in the Company's Current Report on Form 8-K. Accordingly, the statement of revenues and certain expenses excludes certain expenses that may not be comparable to those expected to be incurred in the future operations of the aforementioned property. Items excluded consist of interest expense, depreciation, amortization, corporate expenses, and other costs not directly related to future operations.

Significant Accounting Policies

Use of Estimates

The preparation of the statements 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 amounts reported in the statements of revenues and certain expenses. Actual results could differ from those estimates.

Revenue Recognition

Rental revenue is recognized on an accrual basis when earned and due from tenants. Leases are generally for a one-year term and have no renewal options.

Repairs and Maintenance

Major replacements and betterments that improve or extend the life of the Property are capitalized. Expenditures for ordinary repairs and maintenance are charged to operations as incurred.

3. Subsequent Events

Subsequent events were evaluated through December 19, 2018, the date on which the statements of revenues and certain expenses were available to be issued.

BRT APARTMENTS CORP. AND SUBSIDIARIES

Pro Forma Consolidated Financial Statements

(Unaudited)

Presentation

The pro forma unaudited consolidated balance sheet is presented as if the acquisition of the Property had been completed on September 30, 2018. The pro forma unaudited consolidated statement of income for the year ended September 30, 2018 is presented as if the acquisition of Crestmont at Thornblade and the Previously Reported Acquisitions had been completed on October 1, 2017.

These pro forma unaudited consolidated financial statements are presented for informational purposes only and should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended September 30, 2018.

The pro forma unaudited consolidated financial statements are based on assumptions and estimates considered appropriate by the Company's management; however, such statements do not purport to represent what the Company's financial position and results of operations would have been assuming the completion of the acquisition on October 1, 2017, nor do they purport to project the Company's financial position and results of operations at any future date or for any future period.

In the opinion of the Company's management, all adjustments necessary to reflect the effects of the transactions described above have been included in the pro forma consolidated financial statements.

BRT APARTMENTS CORP. AND SUBSIDIARIES
PRO FORMA - UNAUDITED CONSOLIDATED BALANCE SHEET
At September 30, 2018
(Amounts in thousands, except per share data)

	The Company Historical	Purchase of Crestmont at Thornblade	The Company Pro Forma as Adjusted
ASSETS			
Real estate properties, net of accumulated depreciation	\$1,020,874	\$38,255	\$1,059,129
Real estate loan	4,900	—	4,900
Cash and cash equivalents	27,360	(12,900)	14,460
Restricted cash	6,686	1,973	8,659
Deposits and escrows	24,458	468	24,926
Investment in unconsolidated joint ventures	20,078	—	20,078
Other assets	10,080	233	10,313
Real estate property held for sale	38,928	—	38,928
Total Assets	\$1,153,364	\$28,029	\$1,181,393
LIABILITIES AND EQUITY			
Liabilities:			
Mortgages payable, net of deferred costs	\$792,432	\$26,194	818,626
Junior subordinated notes, net of deferred costs	37,038	—	37,038
Accounts payable and accrued liabilities	27,409	399	27,808
Total Liabilities	856,879	26,593	883,472
Commitments and			

contingencies

Equity:

BRT Apartments

Corp.

stockholders'

equity:

Preferred stock,

\$.01 par value:

2,000 shares

none issued

—

—

—

Common stock

\$.01 par value:

300,000 shares

authorized

15,048 shares

outstanding

150

—

150

Additional

paid-in capital

220,135

—

220,135

Accumulated

other

comprehensive

income

2,629

—

2,629

Accumulated

deficit

(24,927)

—

(24,927)

Total BRT

Apartments

Corp.

stockholders'

equity

197,987

—

197,987

Non-controlling

interests

98,498

1,436

99,934

Total Equity

296,485

1,436

297,921

Total Liabilities

and Equity

\$1,153,364

\$28,029

\$1,181,393

See accompanying notes to the unaudited pro forma consolidated financial statements

BRT APARTMENTS CORP. AND SUBSIDIARIES
PRO FORMA - UNAUDITED CONSOLIDATED STATEMENT OF INCOME
For The Year Ended September 30, 2018
(Dollars in thousands, except share data)

	The Company Historical	Purchase of Crestmont at Thornblade	The Company Pro Forma as Adjusted
Revenues:			
Rental and other revenues from real estate properties	\$118,872	\$3,775	\$122,647
Other income	763	—	763
Total revenues	119,635	3,775	123,410
Expenses:			
Real estate operating expenses	57,665	1,754	59,419
Interest expense	34,389	1,262	(a) 35,651
General and administrative	9,210	—	9,210
Depreciation	38,504	2,041	(b) 40,545
Total expenses	139,768	5,057	144,825
Total revenues less total expenses	(20,133)	(1,282)	(21,415)
Equity in loss of unconsolidated joint ventures	(388)	—	(388)
Gain on sale of real estate assets	64,924	—	64,924
Gain on insurance recovery	4,498	—	4,498
Loss on extinguishment of debt	(850)	—	(850)
Income (loss) from continuing operations	48,051	(1,282)	46,769
Provision for taxes	50	—	50
Net income (loss)	48,001	(1,282)	46,719
	(24,228)	128	(24,100)

(Income)

attributable to
non-controlling
interests

Net income (loss)

attributable to common stockholders	\$	23,773	\$	(1,154)	\$	22,619
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Basic and diluted
per share
amounts
attributable to
common
stockholders:

Basic earnings (loss) per share	\$	1.63	\$	(.08)	\$	1.55
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Diluted earnings (loss) per share	\$1.61		\$	(.08)	\$	1.53
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Weighted
average number
of shares of
common stock
outstanding:

Basic	14,580,398	14,580,398	14,580,398
Diluted	14,780,398	14,780,398	14,780,398

See accompanying notes to the pro forma unaudited consolidated financial statements

BRT APARTMENTS CORP. AND SUBSIDIARIES

Notes to Pro Forma Unaudited Consolidated Financial Statements

(Unaudited)

Basis of Pro Forma Presentation

1. The historical consolidated financial statements of the Company include the accounts of the Company and consolidated subsidiaries in which the Company is presumed to have control in accordance with the consolidation guidance of the Financial Accounting Standards Board Accounting Standards Codification (“ASC”). Investments in entities for which the Company has the ability to exercise significant influence but does not have financial or operating control, are accounted for under the equity method of accounting. Accordingly, the Company’s share of the net earnings (or losses) of entities accounted for under the equity method are included in consolidated net income (loss) under the caption “Equity in loss of unconsolidated joint ventures”. Investments in entities for which the Company does not have the ability to exercise any influence are accounted for under the cost method of accounting.

2. Notes to the pro forma unaudited consolidated balance sheet and statements of income for the year ended September 30, 2018.

a. To reflect the interest expense resulting from the mortgages securing Crestmont at Thornblade which expense is calculated at an interest rate of 4.69% and includes amortization of deferred financing costs.

b. To reflect depreciation expense on the estimated useful life of the property of 30 years.

SIGNATURE

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.

BRT
APARTMENTS
CORP.

By: /s/ George
Zweier

George Zweier

December
19, 2018

Vice President and

Great
Neck, NY

Chief Financial
Officer