HEALTHCARE TRUST OF AMERICA, INC.
Form 10-Q
April 30, 2018

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

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-35568 (Healthcare Trust of America, Inc.)
Commission File Number: 333-190916 (Healthcare Trust of America Holdings, LP)

HEALTHCARE TRUST OF AMERICA, INC.
HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
(Exact name of registrant as specified in its charter)

Maryland (Healthcare Trust of America, Inc.)	20-4738467
Delaware (Healthcare Trust of America Holdings, LP)	20-4738347
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

16435 N. Scottsdale Road, Suite 320
Scottsdale, Arizona 85254
(Address of principal executive offices)
(480) 998-3478
(Registrant's telephone number, including area code)
N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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.

Healthcare Trust of America, Inc.	x Yes ¨ No
Healthcare Trust of America Holdings, LP	x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Healthcare Trust of America, Inc.	x Yes ¨ No
Healthcare Trust of America Holdings, LP	x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Healthcare Trust of America, Inc.	Large-accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company ¨	Emerging growth company ¨

			(Do not check if a smaller reporting company)		
Healthcare Trust of America Holdings, LP	Large-accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer x	Smaller reporting company ¨	Emerging growth company ¨
			(Do not check if a smaller reporting 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.

Healthcare Trust of America, Inc.	¨
Healthcare Trust of America Holdings, LP	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Healthcare Trust of America, Inc.	¨ Yes x No
Healthcare Trust of America Holdings, LP	¨ Yes x No

As of April 25, 2018, there were 205,184,578 shares of Class A common stock of Healthcare Trust of America, Inc. outstanding.

Explanatory Note

This quarterly report combines the Quarterly Reports on Form 10-Q ("Quarterly Report") for the quarter ended March 31, 2018, of Healthcare Trust of America, Inc. ("HTA"), a Maryland corporation, and Healthcare Trust of America Holdings, LP ("HTALP"), a Delaware limited partnership. Unless otherwise indicated or unless the context requires otherwise, all references in this Quarterly Report to "we," "us," "our," "the Company" or "our Company" refer to HTA and HTALP, collectively, and all references to "common stock" shall refer to the Class A common stock of HTA.

HTA operates as a real estate investment trust ("REIT") and is the general partner of HTALP. As of March 31, 2018, HTA owned a 98.1% partnership interest in HTALP, and other limited partners, including some of HTA's directors, executive officers and their affiliates, owned the remaining partnership interest (including the long-term incentive plan ("LTIP" Units) in HTALP. As the sole general partner of HTALP, HTA has the full, exclusive and complete responsibility for HTALP's day-to-day management and control, including its compliance with the Securities and Exchange Commission ("SEC") filing requirements.

We believe it is important to understand the few differences between HTA and HTALP in the context of how we operate as an integrated consolidated company. HTA operates as an umbrella partnership REIT structure in which HTALP and its subsidiaries hold substantially all of the assets. HTA's only material asset is its ownership of partnership interests of HTALP. As a result, HTA does not conduct business itself, other than acting as the sole general partner of HTALP, issuing public equity from time to time and guaranteeing certain debts of HTALP. HTALP conducts the operations of the business and issues publicly-traded debt, but has no publicly-traded equity. Except for net proceeds from public equity issuances by HTA, which are generally contributed to HTALP in exchange for partnership units of HTALP, HTALP generates the capital required for the business through its operations and by direct or indirect incurrence of indebtedness or through the issuance of its partnership units ("OP Units").

Noncontrolling interests, stockholders' equity and partners' capital are the primary areas of difference between the condensed consolidated financial statements of HTA and HTALP. Limited partnership units in HTALP are accounted for as partners' capital in HTALP's condensed consolidated balance sheets and as a noncontrolling interest reflected within equity in HTA's condensed consolidated balance sheets. The differences between HTA's stockholders' equity and HTALP's partners' capital are due to the differences in the equity issued by HTA and HTALP, respectively.

We believe combining the Quarterly Reports of HTA and HTALP, including the notes to the condensed consolidated financial statements, into this single Quarterly Report results in the following benefits:

- enhances stockholders' understanding of HTA and HTALP by enabling stockholders to view the business as a whole in the same manner that management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure in this Quarterly Report applies to both HTA and HTALP; and
- creates time and cost efficiencies through the preparation of a single combined Quarterly Report instead of two separate Quarterly Reports.

In order to highlight the material differences between HTA and HTALP, this Quarterly Report includes sections that separately present and discuss areas that are materially different between HTA and HTALP, including:

- the condensed consolidated financial statements;
- certain accompanying notes to the condensed consolidated financial statements, including Note 7 - Debt, Note 10 - Stockholders' Equity and Partners' Capital, Note 12 - Per Share Data of HTA, Note 13 - Per Unit Data of HTALP;
- the Funds From Operations ("FFO") and Normalized FFO in Part 1, Item 2 of this Quarterly Report;
- the Controls and Procedures in Part 1, Item 4 of this Quarterly Report; and
- the Certifications of the Chief Executive Officer and the Chief Financial Officer included as Exhibits 31 and 32 to this Quarterly Report.

In the sections of this Quarterly Report that combine disclosure for HTA and HTALP, this Quarterly Report refers to actions or holdings as being actions or holdings of the Company. Although HTALP (directly or indirectly through one of its subsidiaries) is generally the entity that enters into contracts, holds assets and issues or incurs debt, management believes this presentation is appropriate for the reasons set forth above and because the business of the Company is a single integrated enterprise operated through HTALP.

HEALTHCARE TRUST OF AMERICA, INC. AND
HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited)
HEALTHCARE TRUST OF AMERICA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except for share and per share data)
(Unaudited)

	March 31, 2018	December 31, 2017
ASSETS		
Real estate investments:		
Land	$486,403	$485,319
Building and improvements	5,851,437	5,830,824
Lease intangibles	638,103	639,199
Construction in progress	24,559	14,223
	7,000,502	6,969,565
Accumulated depreciation and amortization	(1,087,262)	(1,021,691)
Real estate investments, net	5,913,240	5,947,874
Investment in unconsolidated joint venture	69,147	68,577
Cash and cash equivalents	56,243	100,356
Restricted cash	12,695	18,204
Receivables and other assets, net	203,686	207,857
Other intangibles, net	104,824	106,714
Total assets	$6,359,835	$6,449,582
LIABILITIES AND EQUITY		
Liabilities:		
Debt	$2,780,291	$2,781,031
Accounts payable and accrued liabilities	134,574	167,852
Derivative financial instruments - interest rate swaps	742	1,089
Security deposits, prepaid rent and other liabilities	59,530	61,222
Intangible liabilities, net	66,665	68,203
Total liabilities	3,041,802	3,079,397
Commitments and contingencies		
Redeemable noncontrolling interests	6,770	6,737
Equity:		
Preferred stock, $0.01 par value; 200,000,000 shares authorized; none issued and outstanding	—	—
Class A common stock, $0.01 par value; 1,000,000,000 shares authorized; 205,179,776 and 204,892,118 shares issued and outstanding as of March 31, 2018 and December 31, 2017, respectively	2,052	2,049
Additional paid-in capital	4,511,736	4,508,528
Accumulated other comprehensive loss	1,157	274
Cumulative dividends in excess of earnings	(1,284,826)	(1,232,069)
Total stockholders' equity	3,230,119	3,278,782
Noncontrolling interests	81,144	84,666
Total equity	3,311,263	3,363,448
Total liabilities and equity	$6,359,835	$6,449,582

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

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HEALTHCARE TRUST OF AMERICA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except for per share data)
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
Revenues:		
Rental income	$175,567	$123,993
Interest and other operating income	94	354
Total revenues	175,661	124,347
Expenses:		
Rental	56,022	39,020
General and administrative	8,786	8,423
Transaction	191	284
Depreciation and amortization	70,392	47,056
Impairment	4,606	—
Total expenses	139,997	94,783
Income before other income (expense)	35,664	29,564
Interest expense:		
Interest related to derivative financial instruments	(58)	(324)
Gain on change in fair value of derivative financial instruments, net	—	839
Total interest related to derivative financial instruments, including net change in fair value of derivative financial instruments	(58)	515
Interest related to debt	(26,195)	(16,058)
Gain on sale of real estate, net	—	3
Loss on extinguishment of debt, net	—	(32)
Income from unconsolidated joint venture	570	—
Other income	35	8
Net income	$10,016	$14,000
Net income attributable to noncontrolling interests (1)	(214)	(455)
Net income attributable to common stockholders	$9,802	$13,545
Earnings per common share - basic:		
Net income attributable to common stockholders	$0.05	$0.10
Earnings per common share - diluted:		
Net income attributable to common stockholders	$0.05	$0.09
Weighted average common shares outstanding:		
Basic	205,069	141,780
Diluted	209,177	146,117
Dividends declared per common share	$0.305	$0.300

(1) Includes amounts attributable to redeemable noncontrolling interests.
The accompanying notes are an integral part of these condensed consolidated financial statements.

HEALTHCARE TRUST OF AMERICA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
Net income	$10,016	$14,000
Other comprehensive gain (loss)		
Change in unrealized gains (losses) on cash flow hedges	900	(88)
Total other comprehensive gain (loss)	900	(88)
Total comprehensive income	10,916	13,912
Comprehensive income attributable to noncontrolling interests	(198)	(422)
Total comprehensive income attributable to common stockholders	$10,718	$13,490

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

HEALTHCARE TRUST OF AMERICA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(In thousands)
(Unaudited)

	Class A Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Gain (Loss)	Cumulative Dividends in Excess of Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	Shares	Amount						
Balance as of December 31, 2016	141,719	$1,417	$2,754,818	$ —	$(1,068,961)	$1,687,274	$ 93,143	$1,780,417
Issuance of operating partnership units in connection with an acquisition	—	—	—	—	—	—	610	610
Share-based award transactions, net	213	2	2,528	—	—	2,530	—	2,530
Repurchase and cancellation of common stock	(107)	(1)	(3,117)	—	—	(3,118)	—	(3,118)
Dividends declared	—	—	—	—	(43,145)	(43,145)	(1,321)	(44,466)
Net income	—	—	—	—	13,545	13,545	425	13,970
Other comprehensive loss	—	—	—	(85)	—	(85)	(3)	(88)
Balance as of March 31, 2017	141,825	$1,418	$2,754,229	$ (85)	$(1,098,561)	$1,657,001	$ 92,854	$1,749,855
Balance as of December 31, 2017	204,892	$2,049	$4,508,528	$ 274	$(1,232,069)	$3,278,782	$ 84,666	$3,363,448
Share-based award transactions, net	289	3	3,504	—	—	3,507	—	3,507
Repurchase and cancellation of common stock	(92)	(1)	(2,708)	—	—	(2,709)	—	(2,709)
Redemption of noncontrolling interest and other	91	1	2,412	—	—	2,413	(2,413)	—
Dividends declared	—	—	—	—	(62,559)	(62,559)	(1,307)	(63,866)
Net income	—	—	—	—	9,802	9,802	181	9,983
Other comprehensive gain	—	—	—	883	—	883	17	900
Balance as of March 31, 2018	205,180	$2,052	$4,511,736	$ 1,157	$(1,284,826)	$3,230,119	$ 81,144	$3,311,263

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

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HEALTHCARE TRUST OF AMERICA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities:		
Net income	$10,016	$14,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other	68,303	46,213
Share-based compensation expense	3,507	2,530
Bad debt expense	3	103
Impairment	4,606	—
Income from unconsolidated joint venture	(570)	—
Gain on sale of real estate, net	—	(3)
Loss on extinguishment of debt, net	—	32
Change in fair value of derivative financial instruments	—	(839)
Changes in operating assets and liabilities:		
Receivables and other assets, net	9,274	(7,771)
Accounts payable and accrued liabilities	(30,780)	(7,934)
Prepaid rent and other liabilities	(3,479)	682
Net cash provided by operating activities	60,880	47,013
Cash flows from investing activities:		
Investments in real estate	(11,887)	(34,706)
Development of real estate	(13,235)	—
Proceeds from the sale of real estate	—	4,746
Capital expenditures	(17,417)	(12,894)
Collection of real estate notes receivable	172	—
Net cash used in investing activities	(42,367)	(42,854)
Cash flows from financing activities:		
Borrowings on unsecured revolving credit facility	—	92,000
Payments on unsecured revolving credit facility	—	(10,000)
Payments on secured mortgage loans	(1,598)	(40,155)
Security deposits	52	14
Repurchase and cancellation of common stock	(2,709)	(3,118)
Dividends paid	(62,546)	(42,536)
Distributions paid to noncontrolling interest of limited partners	(1,334)	(1,332)
Net cash used in financing activities	(68,135)	(5,127)
Net change in cash, cash equivalents and restricted cash	(49,622)	(968)
Cash, cash equivalents and restricted cash - beginning of period	118,560	25,045
Cash, cash equivalents and restricted cash - end of period	$68,938	$24,077

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

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HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except unit data)
(Unaudited)

	March 31, 2018	December 31, 2017
ASSETS		
Real estate investments:		
Land	$486,403	$485,319
Building and improvements	5,851,437	5,830,824
Lease intangibles	638,103	639,199
Construction in progress	24,559	14,223
	7,000,502	6,969,565
Accumulated depreciation and amortization	(1,087,262)	(1,021,691)
Real estate investments, net	5,913,240	5,947,874
Investment in unconsolidated joint venture	69,147	68,577
Cash and cash equivalents	56,243	100,356
Restricted cash	12,695	18,204
Receivables and other assets, net	203,686	207,857
Other intangibles, net	104,824	106,714
Total assets	$6,359,835	$6,449,582
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Debt	$2,780,291	$2,781,031
Accounts payable and accrued liabilities	134,574	167,852
Derivative financial instruments - interest rate swaps	742	1,089
Security deposits, prepaid rent and other liabilities	59,530	61,222
Intangible liabilities, net	66,665	68,203
Total liabilities	3,041,802	3,079,397
Commitments and contingencies		
Redeemable noncontrolling interests	6,770	6,737
Partners' Capital:		
Limited partners' capital, 4,032,835 and 4,124,148 units issued and outstanding as of March 31, 2018 and December 31, 2017, respectively	80,874	84,396
General partners' capital, 205,179,776 and 204,892,118 units issued and outstanding as of March 31, 2018 and December 31, 2017, respectively	3,230,389	3,279,052
Total partners' capital	3,311,263	3,363,448
Total liabilities and partners' capital	$6,359,835	$6,449,582

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

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HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per unit data)
(Unaudited)

	Three Months Ended March 31, 2018	2017
Revenues:		
Rental income	$175,567	$123,993
Interest and other operating income	94	354
Total revenues	175,661	124,347
Expenses:		
Rental	56,022	39,020
General and administrative	8,786	8,423
Transaction	191	284
Depreciation and amortization	70,392	47,056
Impairment	4,606	—
Total expenses	139,997	94,783
Income before other income (expense)	35,664	29,564
Interest expense:		
Interest related to derivative financial instruments	(58)	(324)
Gain on change in fair value of derivative financial instruments, net	—	839
Total interest related to derivative financial instruments, including net change in fair value of derivative financial instruments	(58)	515
Interest related to debt	(26,195)	(16,058)
Gain on sale of real estate, net	—	3
Loss on extinguishment of debt, net	—	(32)
Income from unconsolidated joint venture	570	—
Other income	35	8
Net income	$10,016	$14,000
Net income attributable to noncontrolling interests	(33)	(30)
Net income attributable to common unitholders	$9,983	$13,970
Earnings per common unit - basic:		
Net income attributable to common unitholders	$0.05	$0.10
Earnings per common unit - diluted:		
Net income attributable to common unitholders	$0.05	$0.10
Weighted average common units outstanding:		
Basic	209,177	146,117
Diluted	209,177	146,117
Dividends declared per common unit	$0.305	$0.300

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

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HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
Net income	$10,016	$14,000
Other comprehensive gain (loss)		
Change in unrealized gains (losses) on cash flow hedges	900	(88)
Total other comprehensive gain (loss)	900	(88)
Total comprehensive income	10,916	13,912
Comprehensive income attributable to noncontrolling interests	(33)	(30)
Total comprehensive income attributable to common unitholders	$10,883	$13,882

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

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HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
(In thousands)
(Unaudited)

	General Partners' Capital		Limited Partners' Capital		Total Partners' Capital
	Units	Amount	Units	Amount	
Balance as of December 31, 2016	141,719	$1,687,544	4,323	$92,873	$1,780,417
Issuance of limited partner units in connection with an acquisition	—	—	21	610	610
Share-based award transactions, net	213	2,530	—	—	2,530
Redemption and cancellation of general partner units	(107)	(3,118)	—	—	(3,118)
Distributions declared	—	(43,145)	—	(1,321)	(44,466)
Net income	—	13,545	—	425	13,970
Other comprehensive loss	—	(85)	—	(3)	(88)
Balance as of March 31, 2017	141,825	$1,657,271	4,344	$92,584	$1,749,855
Balance as of December 31, 2017	204,892	$3,279,052	4,124	$84,396	$3,363,448
Share-based award transactions, net	289	3,507	—	—	3,507
Redemption and cancellation of general partner units	(92)	(2,709)	—	—	(2,709)
Redemption of limited partner units and other	91	2,413	(91)	(2,413)	—
Distributions declared	—	(62,559)	—	(1,307)	(63,866)
Net income	—	9,802	—	181	9,983
Other comprehensive gain	—	883	—	17	900
Balance as of March 31, 2018	205,180	$3,230,389	4,033	$80,874	$3,311,263

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

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HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities:		
Net income	$10,016	$14,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other	68,303	46,213
Share-based compensation expense	3,507	2,530
Bad debt expense	3	103
Impairment	4,606	—
Income from unconsolidated joint venture	(570)	—
Gain on sale of real estate, net	—	(3)
Loss on extinguishment of debt, net	—	32
Change in fair value of derivative financial instruments	—	(839)
Changes in operating assets and liabilities:		
Receivables and other assets, net	9,274	(7,771)
Accounts payable and accrued liabilities	(30,780)	(7,934)
Prepaid rent and other liabilities	(3,479)	682
Net cash provided by operating activities	60,880	47,013
Cash flows from investing activities:		
Investments in real estate	(11,887)	(34,706)
Development of real estate	(13,235)	—
Proceeds from the sale of real estate	—	4,746
Capital expenditures	(17,417)	(12,894)
Collection of real estate notes receivable	172	—
Net cash used in investing activities	(42,367)	(42,854)
Cash flows from financing activities:		
Borrowings on unsecured revolving credit facility	—	92,000
Payments on unsecured revolving credit facility	—	(10,000)
Payments on secured mortgage loans	(1,598)	(40,155)
Security deposits	52	14
Repurchase and cancellation of general partner units	(2,709)	(3,118)
Distributions paid to general partner	(62,546)	(42,536)
Distributions paid to limited partners and redeemable noncontrolling interests	(1,334)	(1,332)
Net cash used in financing activities	(68,135)	(5,127)
Net change in cash, cash equivalents and restricted cash	(49,622)	(968)
Cash, cash equivalents and restricted cash - beginning of period	118,560	25,045
Cash, cash equivalents and restricted cash - end of period	$68,938	$24,077

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

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HEALTHCARE TRUST OF AMERICA, INC. AND HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise indicated or unless the context requires otherwise the use of the words “we,” “us” or “our” refers to Healthcare Trust of America, Inc. and Healthcare Trust of America Holdings, LP, collectively.

1. Organization and Description of Business

HTA, a Maryland corporation, and HTALP, a Delaware limited partnership, were incorporated or formed, as applicable, on April 20, 2006. HTA operates as a REIT and is the general partner of HTALP, which is the operating partnership, in an umbrella partnership, or “UPREIT” structure. HTA has qualified and intends to continue to be taxed as a REIT for federal income tax purposes under the applicable sections of the Internal Revenue Code.

We own real estate primarily consisting of medical office buildings (“MOBs”) located on or adjacent to hospital campuses or in off-campus, community core outpatient locations across 33 states within the United States, and we lease space to tenants primarily consisting of health systems, research and academic institutions, and various sized physician practices. We generate substantially all of our revenues from rents and rental-related activities, such as property and facilities management and other incidental revenues related to the operation of real estate.

Our primary objective is to maximize stockholder value with growth through strategic investments that provide an attractive risk-adjusted return for our stockholders by consistently increasing our cash flow. In pursuing this objective, we: (i) seek internal growth through proactive asset management, leasing, building services and property management oversight; (ii) target accretive acquisitions and developments of MOBs in markets with attractive demographics that complement our existing portfolio; and (iii) actively manage our balance sheet to maintain flexibility with conservative leverage. Additionally, from time to time we consider, on an opportunistic basis, significant portfolio acquisitions that we believe fit our core business and we expect to enhance our existing portfolio.

2. Summary of Significant Accounting Policies

The summary of significant accounting policies presented below is designed to assist in understanding our condensed consolidated financial statements. Such condensed consolidated financial statements and the accompanying notes are the representations of our management, who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the U.S. (“GAAP”) in all material respects and have been consistently applied in preparing our accompanying condensed consolidated financial statements.

Basis of Presentation

Our accompanying condensed consolidated financial statements include our accounts and those of our subsidiaries and any consolidated variable interest entities (“VIEs”). All inter-company balances and transactions have been eliminated in the accompanying condensed consolidated financial statements.

Interim Unaudited Financial Data

Our accompanying condensed consolidated financial statements have been prepared by us in accordance with GAAP in conjunction with the rules and regulations of the SEC. Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to SEC rules and regulations. Accordingly, our accompanying condensed consolidated financial statements do not include all information and footnotes required by GAAP for complete financial statements. Our accompanying condensed consolidated financial statements reflect all adjustments, which are, in our opinion, of a normal recurring nature and necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods. Interim results of operations are not necessarily indicative of the results to be expected for the full year; such results may be less favorable for the full year. Our accompanying condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto included in our 2017 Annual Report on Form 10-K.

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Principles of Consolidation

The condensed consolidated financial statements include the accounts of our subsidiaries and consolidated joint venture arrangements. The portions of the HTALP operating partnership not owned by us are presented as non-controlling interests in our consolidated balance sheets and statements of operations, consolidated statements of comprehensive income or loss, consolidated statements of equity, and consolidated statements of changes in partners' capital. The portions of other joint venture arrangements not owned by us are presented as redeemable non-controlling interests on the accompanying condensed consolidated balance sheets. In addition, as described in Note 1 - Organization and Description of Business, certain third parties have been issued OP Units in HTALP. Holders of OP Units are considered to be noncontrolling interest holders in HTALP and their ownership interests are reflected as equity on the accompanying condensed consolidated balance sheets. Further, a portion of the earnings and losses of HTALP are allocated to noncontrolling interest holders based on their respective ownership percentages. Upon conversion of OP Units to common stock, any difference between the fair value of the common stock issued and the carrying value of the OP Units converted to common stock is recorded as a component of equity. As of March 31, 2018 and December 31, 2017, there were approximately 4.0 million, and 4.1 million, respectively, of OP Units issued and outstanding.

VIEs are entities where investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or where equity investors, as a group, lack one of the following: (i) the power to direct the activities that most significantly impact the entity's economic performance; (ii) the obligation to absorb the expected losses of the entity; and (iii) the right to receive the expected returns of the entity. We consolidate our investment in VIEs when we determine that we are the primary beneficiary. A primary beneficiary is one that has both: (i) the power to direct the activities of the VIE that most significantly impacts the entity's economic performance; and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could be significant to the entity. The HTALP operating partnership and our other joint venture arrangements are VIEs because the limited partners in those partnerships, although entitled to vote on certain matters, do not possess kick-out rights or substantive participating rights. Additionally, we determined that we are the primary beneficiary of our VIEs. Accordingly, we consolidate our interests in the HTALP operating partnership and in our other joint venture arrangements. However, because we hold what is deemed a majority voting interest in the HTALP operating partnership and our other joint venture arrangements, it qualifies for the exemption from providing certain disclosure requirements associated with investments in VIEs. We will evaluate on an ongoing basis the need to consolidate entities based on the standards set forth in GAAP as described above.

Reclassification

In November 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2016-18 Statement of Cash Flows: Restricted Cash. ASU 2016-18 requires that a statement of cash flows explain the change during the period in cash, cash equivalents and restricted cash or restricted cash equivalents. Therefore, restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period amounts shown on the accompanying condensed consolidated statements of cash flows. We adopted ASU 2016-18 as set forth in our 2017 Annual Report on Form 10-K as of January1, 2017, and as a result of the adoption, the guidance requires retrospective adoption for all periods presented. The following table represents the previously reported balances and the reclassified balances for the impacted items for the three months ended March 31, 2017 in the accompanying condensed consolidated statements of cash flows (in thousands):

	Three Months Ended March 31, 2017	
	As Previously Reported	As Reclassified
Cash flows from investing activities:		

Other assets [1]	$5,771	$ —
Net cash used in investing activities	(37,083)	(42,854)
Net change in cash, cash equivalents and restricted cash [2]	$4,803	$ (968)
Cash, cash equivalents and restricted cash - beginning of period [2]	11,231	25,045
Cash, cash equivalents and restricted cash - end of period [2]	$16,034	$ 24,077

(1) Prior to adoption of ASU 2016-18, the line item description was “Restricted cash, escrow deposits and other assets”.
(2) With the adoption of ASU 2016-18, the line item description now includes restricted cash.

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Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of all highly liquid investments with a maturity of three months or less when purchased. Restricted cash is comprised of reserve accounts for property taxes, insurance, capital improvements and tenant improvements as well as collateral accounts for debt and interest rate swaps and deposits for future investments.

With our adoption of ASU 2016-18 as set forth in our 2017 Annual Report on Form 10-K as of January 1, 2017, the following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the accompanying condensed consolidated balance sheets to the combined amounts shown on the accompanying condensed consolidated statements of cash flows (in thousands):

	March 31,	
	2018	2017
Cash and cash equivalents	$56,243	$16,034
Restricted cash	12,695	8,043
Total cash, cash equivalents and restricted cash	$68,938	$24,077

Revenue Recognition

Minimum annual rental revenue is recognized on a straight-line basis over the term of the related lease (including rent holidays). Differences between rental income recognized and amounts contractually due under the lease agreements are recorded as straight-line rent receivables. Tenant reimbursement revenue, which is comprised of additional amounts recoverable from tenants for common area maintenance expenses and certain other recoverable expenses, is recognized as revenue in the period in which the related expenses are incurred. Tenant reimbursements are recorded on a gross basis, as we are generally the primary obligor with respect to purchasing goods and services from third-party suppliers, have discretion in selecting the supplier, and have credit risk. We recognize lease termination fees when there is a signed termination letter agreement, all of the conditions of the agreement have been met, and the tenant is no longer occupying the property. Rental income is reported net of amortization of inducements. Effective January 1, 2018, with the adoption of Topic 606 and corresponding amendments, the revenue recognition process will be based on a five-step model to account for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. Topic 606 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We have identified all of our revenue streams and we have concluded that rental income from leasing arrangements represents a substantial portion of our revenue and, therefore, is specifically excluded from Topic 606 and will be governed and evaluated with the anticipated adoption of Topic 842. The other revenue stream identified as impacting Topic 606 is concentrated in the recognition of real estate sales and this component does not have a material impact on our financial statements. For more detailed information on Topic 606 see “Recently Issued or Adopted Accounting Pronouncements” below.

Investments in Real Estate

Depreciation expense of buildings and improvements for the three months ended March 31, 2018 and 2017, was $50.7 million and $32.7 million, respectively.

Unconsolidated Joint Ventures

We account for our investments in unconsolidated joint ventures using the equity method of accounting because we have the ability to exercise significant influence, but not control, over the financial and operational policy decisions of the investments. Using the equity method of accounting, the initial investment is recognized at cost and subsequently adjusted for our share of the net income or loss and any distributions from the joint venture. As of March 31, 2018, we had a 50% interest in one such investment with a carrying value and maximum exposure to risk of $69.1 million, which is recorded in investment in unconsolidated joint venture in the accompanying condensed consolidated balance sheets. We record our share of net income (loss) in income (loss) from unconsolidated joint venture in the accompanying condensed consolidated statements of operations. For the three months ended March 31, 2018, we recognized income of $0.6 million. Our unconsolidated joint venture was acquired during the second quarter of 2017 and, as such, there was no income (loss) or distributions for the three months ended March 31, 2017.

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HEALTHCARE TRUST OF AMERICA, INC. AND HEALTHCARE TRUST OF AMERICA HOLDINGS, LP
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Recently Issued or Adopted Accounting Pronouncements
The following table provides a brief description of recently adopted accounting pronouncements:

Accounting Pronouncement	Description	Effective Date	Effect on financial statements
Topic 606; collectively, ASU 2014-09, 2015-14, ASU 2016-08, ASU 2016-10, ASU 2016-11, ASU 2016-12, ASU 2016-20, ASU 2017-05, ASU 2017-10, ASU 2017-13 and ASU 2017-14 Revenue from Contracts with Customers (Issued May 2014, August 2015, March 2016, April 2016, May 2016, December 2016, February 2017, May 2017, September 2017 and November 2017)	In May 2014, the FASB issued Topic 606. The objective of Topic 606 is to establish a comprehensive new five-step model requiring a company to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (i.e., payment) to which the company expects to be entitled in exchange for those goods or services. Expanded quantitative and qualitative disclosures regarding revenue recognition will be required for contracts that are subject to Topic 606. Topic 606 does not apply to revenue from lease contracts until the adoption of the new leases standard in ASU 2016-02, in January 2019. ASU 2017-05 applies to all nonfinancial assets (including real estate) for which the counterparty is not a customer and requires an entity to derecognize a nonfinancial asset in a partial sale transaction when it ceases to have a controlling financial interest in the asset and has transferred control of the asset. Once an entity transfers control of the nonfinancial asset, the entity is required to measure any nonconrolling interest it receives or retains at fair value. Under the current guidance, a partial sale is recognized and carryover basis is used for the retained interest resulting in only partial gain recognition by the entity, however, the new guidance eliminates the use of carryover basis and generally requires the full gain to be recognized. In adopting Topic 606, companies may use either a full retrospective or a modified retrospective approach.	Topic 606 is effective for fiscal years beginning after December 15, 2017 along with the right of early adoption as of the original effective date.	We adopted Topic 606 effective January 1, 2018 to all open contracts using the modified retrospective approach. As part of the adoption, we identified all revenue streams and concluded that revenues from leasing arrangements represented substantially all of our revenue and is generally excluded from the scope of Topic 606. Rather, rental revenue, including any executory type costs, will be governed and evaluated with the adoption of Topic 842 as described below. In addition, under Topic 606, revenue recognition for real estate sales will be substantially based on a principles-based approach to determine whether there has been transfer of control versus continuing involvement under the current guidance. There have not been, nor do we anticipate, any reclassifications or material impacts on our consolidated financial statements as a result of this adoption.
ASU 2017-09			

Compensation - Stock Compensation (Topic 718): Clarifying the Scope of Modification (Issued May 2017)	ASU 2017-09 amends the scope of modification accounting for share-based payment arrangements and provides guidance on the types of changes to the terms and conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718.	ASU 2017-09 is effective for fiscal years beginning after December 15, 2017 with early adoption permitted.	We adopted ASU 2017-09 as of January 1, 2018. There have not been, nor do we anticipate, any reclassifications or material impacts on our consolidated financial statements as a result of this adoption.
ASU 2017-12 Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities (Issued August 2017)	ASU 2017-12 expands and refines hedge accounting for both financial (e.g., interest rate) and non-financial risk components, aligns the recognition and presentation of the effects of hedging instruments and hedge items in the financial statements, and includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness.	ASU 2017-12 is effective for fiscal years beginning after December 15, 2018 with early adoption permitted.	We adopted ASU 2017-12 as of January 1, 2018. Using the modified retrospective approach, the cumulative effect of the ineffectiveness for the year ended December 31, 2017 was immaterial; therefore, no adjustment was made to beginning retained earnings. Additionally, as a result of the adoption, we no longer disclose the ineffective portion of the change in fair value of our derivative financial instruments. The entire change in the fair value of the hedging instruments included in the assessment of hedge effectiveness will now be recorded in other comprehensive income and subsequently reclassified to interest expense in the period the hedging instrument affects earnings.

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The following table provides a brief description of recently issued accounting pronouncements:

Accounting Pronouncement	Description	Effective Date	Effect on financial statements
Topic 842; collectively ASU 2016-02 and 2018-01 Leases (Issued February 2016 and January 2018)			