

AMERICAN TOWERS OWNERS ASSOCIATION

AUDIT OF FINANCIAL STATEMENTS

For the year ended April 30, 2010

together with

REPORT OF INDEPENDENT AUDITORS

AMERICAN TOWERS OWNERS ASSOCIATION

Table of Contents

Report of Independent Auditors	1
Audited Financial Statements:	
Balance Sheet.....	2
Statement of Revenue, Expenses, and Changes in Fund Balances.....	3
Statement of Cash Flows	4
Notes to Financial Statements.....	5
Supplementary Information:	
Supplementary Information on Future Major Repairs and Replacements (Unaudited)	12

REPORT OF INDEPENDENT AUDITORS



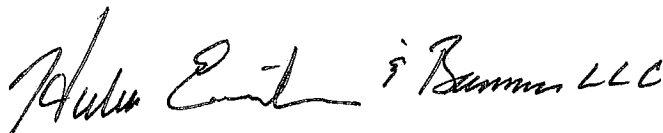
To the Board of Trustees and members
American Towers Owners Association

We have audited the accompanying balance sheet of American Towers Owners Association (the Association), as of April 30, 2010 and the related statements of revenue, expenses, and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended April 30, 2009 is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year, on which we expressed an unqualified opinion in our report dated November 3, 2009.

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 statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Towers Owners Association as of April 30, 2010 and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The schedule of supplementary information on future major repairs and replacements (unaudited) on page 12 is not a required part of the basic financial statements but is supplemental information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read 'Heidi E. ... & Partners LLC'.

Salt Lake City, Utah
July 19, 2010

American Towers Owners Association

Balance Sheet

April 30, 2010

Page 2

ASSETS	2010				2009
	Operating Fund	Residential Fund	Common Fund	Total	Total (for Comparative Purposes Only)
Cash and cash equivalents	\$ 117,649	\$ 83,945	\$ 260,277	\$ 461,871	\$ 730,772
Investments	-	222,733	-	222,733	203,853
Assessments receivable	14,595	5,950	13,165	33,710	22,335
Prepaid expenses and deposits	23,726	-	-	23,726	1,323
A/C retrofit assessment receivable	-	-	84,357	84,357	182,898
Inventory	3,000	-	-	3,000	2,957
Interfund receivable (payable)	(23,212)	(20,750)	43,962	-	-
Common property, net of accumulated depreciation of \$100,878 in 2010 and \$100,878 in 2009	-	-	-	-	-
Total Assets	\$ 135,758	\$ 291,878	\$ 401,761	\$ 829,397	\$ 1,144,138
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 30,865	\$ 11,730	\$ 7,435	\$ 50,030	\$ 39,704
Accrued liabilities	58,395	35,000	62,467	155,862	138,552
Income taxes payable	395	552	18	965	114
Deferred revenue - unearned assessments	57,704	5,852	6,600	70,156	40,958
Note payable	-	-	51,090	51,090	170,754
Total Liabilities	147,359	53,134	127,610	328,103	390,082
Fund balances	(11,601)	238,744	274,151	501,294	754,056
Total Liabilities and Fund Balances	\$ 135,758	\$ 291,878	\$ 401,761	\$ 829,397	\$ 1,144,138

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

American Towers Owners Association
Statement of Revenue, Expenses and Changes in Fund Balances
Year Ended April 30, 2010

	2010				2009
	Operating Fund	Residential Fund	Common Fund	Total	Total (for Comparative Purposes Only)
Revenue					
Member assessments	\$ 1,666,635	\$ 149,280	\$ 128,436	\$ 1,944,351	\$ 1,944,216
Interest	-	19,445	9,432	28,877	49,973
Other	31,862	-	-	31,862	27,103
Total Revenue	1,698,497	168,725	137,868	2,005,090	2,021,292
Expenses					
Payroll	537,436	-	-	537,436	548,041
Utilities	418,797	-	-	418,797	451,334
Taxes, insurance, and other	259,158	-	-	259,158	246,854
Contracts	219,673	-	-	219,673	226,532
Major repairs and replacement expenditures	-	259,367	231,163	490,530	164,902
Maintenance and repairs	162,533	67,793	3,807	234,133	188,513
Interest expense	-	6	6,907	6,913	13,771
Legal and professional	26,626	-	-	26,626	19,372
Supplies	18,299	-	-	18,299	19,509
Administrative	45,322	-	-	45,322	36,998
Income taxes	395	552	18	965	865
Depreciation	-	-	-	-	-
Total Expenses	1,688,239	327,718	241,895	2,257,852	1,916,691
(Deficiency) excess of revenue over expenses	10,258	(158,993)	(104,027)	(252,762)	104,601
Beginning fund balances (deficit)	(21,859)	397,737	378,178	754,056	649,455
Ending fund balances	\$ (11,601)	\$ 238,744	\$ 274,151	\$ 501,294	\$ 754,056

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

American Towers Owners Association

Statement of Cash Flows

Year Ended April 30, 2010

Page 4

	2010				2009
	Operating Fund	Residential Fund	Common Fund	Total	Total (for Comparative Purposes Only)
OPERATING ACTIVITIES					
(Deficiency) excess of revenue over expenses	\$ 10,258	\$ (158,993)	\$ (104,027)	\$ (252,762)	\$ 104,601
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash and cash equivalents provided by (used in) operating activities:					
Depreciation	-	-	-	-	-
Accretion of investments	-	(18,880)	-	(18,880)	(17,279)
(Increase) decrease in assets:					
Assessments receivable	(6,979)	194	(4,590)	(11,375)	(1,505)
A/C retrofit assessment receivable	-	-	98,541	98,541	102,234
Interfund receivable/payable	32,443	4,986	(37,429)	-	-
Inventory	(43)	-	-	(43)	2,029
Prepaid expenses	(22,403)	-	-	(22,403)	40,343
(Decrease) increase in liabilities:					
Accounts payable	511	11,250	(1,435)	10,326	(24,713)
Accrued liabilities	(4,830)	(40,861)	62,467	16,776	89,539
Income taxes payable	929	552	(96)	1,385	(320)
Deferred revenue	22,605	2,702	3,891	29,198	4,521
Net cash and cash equivalents provided by (used in) operating activities	<u>32,491</u>	<u>(199,050)</u>	<u>17,322</u>	<u>(149,237)</u>	<u>299,450</u>
FINANCING ACTIVITIES					
Principal payments on note payable	-	-	(119,664)	(119,664)	(112,814)
Net cash and cash equivalents used in financing activities	<u>-</u>	<u>-</u>	<u>(119,664)</u>	<u>(119,664)</u>	<u>(112,814)</u>
Net increase (decrease) in cash and cash equivalents	32,491	(199,050)	(102,342)	(268,901)	186,636
Cash and cash equivalents at beginning of year	85,158	282,995	362,619	730,772	544,136
Cash and cash equivalents at end of year	<u>\$ 117,649</u>	<u>\$ 83,945</u>	<u>\$ 260,277</u>	<u>\$ 461,871</u>	<u>\$ 730,772</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION					
Cash paid during the year for:					
Income taxes				\$ 547	\$ -
Interest				\$ 6,913	\$ 13,771

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

American Towers Owners Association

Notes to Financial Statements

Year Ended April 30, 2010

Page 5

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Business Activity

The American Towers Owners Association (the Association) was organized as a not-for-profit corporation for purposes of maintaining and preserving common property of the American Towers condominium. The American Towers condominium consists of 357 residential units and three commercial units located in downtown Salt Lake City, Utah. The Association began operations in July 1982. Its primary source of revenue is assessments to each of the unit's owners.

2. Fund Accounting

The Association's governing documents provide certain guidelines for conducting its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

- a) *Operating Fund* – used to account for financial resources available for the general operations of the Association.
- b) *Residential Fund* – used to accumulate financial resources designated for future major repairs and replacements of residential property.
- c) *Common Fund* – used to accumulate financial resources designated for future major repairs and replacements of common property.

3. Basic Assessments

Each year a basic assessment is determined based on advance estimates of the Association's expenses for maintenance and operation of common areas. Such estimated expenses include management fees, taxes, insurance premiums, wages, repairs and maintenance, utilities, legal and accounting fees, capital replacements and improvements (Note C), deficits remaining from a previous period, creation of a contingency reserve, and any other expenses incurred for the benefit of the owners.

American Towers Owners Association

Notes to Financial Statements

Year Ended April 30, 2010

Page 6

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Special Assessments

In addition to the basic assessments, the Association may levy special assessments at any time upon the affirmative vote of at least 60 percent of total votes of Association members. These assessments may be used for construction, reconstruction, unexpected repairs, or for any other expense incurred relating to the Association.

5. Common Property

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements. Those properties are owned by the individual unit owners in common and not by the Association. The Association's policy for recognizing common property as assets in its balance sheet is to recognize the cost of common personal property, which it owns. Maintenance, repairs, and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Capitalized common property purchased with Residential or Common Fund monies is shown as a transfer from the Residential or Common Funds to the Operating Fund in the statement of revenues, expenses and changes in fund balances. This property is recorded as an asset on the Operating Fund balance sheet and is depreciated over its estimated useful life on a straight-line basis. The Association is responsible for the preservation and maintenance of common property.

6. Revenue Recognition

Assessments are due from unit owners on the first day of each month. Assessments received in advance of the due date are shown in the accompanying financial statements as deferred revenue and are recognized monthly as revenue is earned.

7. Fair Value of Financial Instruments

The carrying value of the Association's cash and cash equivalents, assessments receivable, short-term payables, and note payable approximate their fair values.

8. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all short-term instruments with an original maturity of three months or less when purchased to be cash equivalents.

American Towers Owners Association

Notes to Financial Statements

Year Ended April 30, 2010

Page 7

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Investments

Investments consist of bonds that are held to maturity and are recorded at amortized cost.

10. Inventory

Inventory is valued at the lower of cost or market using the first-in first-out method.

11. Income Taxes

As of April 30, 2010, the Association elected to file its income tax return as a homeowner's association in accordance with Internal Revenue Code section 528. Under that section, the Association excludes from taxation exempt function income, which generally consists of revenues from uniform assessments from owners.

The Association utilizes the liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are provided based on the difference between the financial reporting and tax bases of assets and liabilities as measured by the currently enacted tax rates in effect for the years in which these differences are expected to reverse. Deferred tax expense or benefit is the result of changes in the deferred tax assets and liabilities.

12. Financial Statement Presentation

The accounting and reporting policies of the Association conform with accounting principles generally accepted in the United States of America and with general practices in the Common Interest Realty Association industry. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ significantly from those estimates.

13. Comparative Totals for 2009

The 2009 total columns are for comparison only. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America; accordingly, such information should be read in conjunction with the Association's financial statements for the year ended April 30, 2009, from which the summarized information was derived.

American Towers Owners Association

Notes to Financial Statements

Year Ended April 30, 2010

Page 8

NOTE B – CASH ACCOUNTS

The Association maintains its cash balances in two financial institutions. At April 30, 2010 and 2009, the Association had \$348,959 and \$627,789, respectively, in excess of federally insured limits for deposits.

NOTE C – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate bank and investment accounts and generally are not available for expenditures for normal operations.

The Association's board authorized Association Reserves, Inc. to complete a study in March 2010 for the period beginning May 1, 2009 and ending April 30, 2010 to estimate the remaining useful lives and replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Funding requirements are based on an annual inflation rate of 3.00 percent and an interest rate of 2.00 percent on amounts funded for future major repairs and replacements. The table included in the unaudited supplemental information on future major repairs and replacements is based on this updated study.

The Association has budgeted \$164,953 and \$196,525 for the Common Funds and Residential Fund, respectively, for the year 2011. The updated study completed in 2010, recommends a funding requirement of \$164,400 and \$195,900, respectively, in 2011 to achieve a funded goal of 70%. Actual expenditures and interest income may vary from the current estimates and the variations may be material. Amounts accumulated in the Residential and Common Funds may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments or delay major repairs and replacements. Subject to membership approval, the Association may also pass special assessments. Based on the 2010 reserve study, as of April 30, 2010, the residential and common funds are 28% and 37% funded, respectively.

The Association has recorded a net payable of \$23,212 in the Operating Fund and \$20,750 in the Residential Fund representing assessments not yet transferred to the Common Funds used to cover major repairs and replacements. The Association intends to transfer these amounts to the appropriate funds and, therefore, has reflected these amounts as an interfund receivable and payable.

American Towers Owners Association

Notes to Financial Statements

Year Ended April 30, 2010

Page 9

NOTE D – INVESTMENTS

Investments at April 30, 2010 consist of corporate bonds, which mature in December 2012. The bonds are held to maturity and recorded at amortized cost. The unrealized holding gain (loss) was \$10,717 and \$(145,053) at April 30, 2010 and 2009, respectively.

The amortized cost, unrealized (losses) gains and fair values of the Association's held to maturity securities at April 30, 2010 and 2009, are summarized as follows:

	2010	2009
Amortized cost	\$ 222,733	\$ 203,853
Gross unrealized (losses) gains	10,717	(145,053)
Estimated fair value	<u>\$ 233,450</u>	<u>\$ 58,800</u>

NOTE E – ACCRUED LIABILITIES

Accrued liabilities as of April 30, 2010 and 2009 consist of the following:

	2010	2009
Accrued vacation payable	\$ 41,092	\$ 47,669
Other	114,770	90,883
	<u>\$ 155,862</u>	<u>\$ 138,552</u>

NOTE F – COMMON PROPERTY

Common property consists of furnishings, office equipment, and exercise equipment used by the Association members. The furnishings and equipment are being depreciated using the straight-line method over periods of five to seven years.

NOTE G – COMMITMENTS

The Association is party to a reciprocal easement and maintenance agreement relating to the real property on Block 58 in Salt Lake City, Utah, on which the Association's condominium unit is located. This agreement with American Plaza, requires the Association to pay 5.3 percent of the American Plaza maintenance fee relating to common areas from the operating fund, exclusive of capital improvements. Further, the agreement requires the Association to pay 31% of the American Plaza parking stall fee. Under this agreement, the Association incurred expenses of \$29,181 and \$31,839 in 2010 and 2009, respectively, which are included in the operating fund contracts expense and \$42,902 and \$90,813 in 2010 and 2009, respectively, which are included in the residential fund contracts expense.

American Towers Owners Association

Notes to Financial Statements

Year Ended April 30, 2010

Page 10

NOTE G – COMMITMENTS (CONTINUED)

In July 1994, the Association renewed an extended coverage maintenance agreement for elevators in the condominium project. The term of the renewed contract is over 20 years at an original base monthly rate of \$4,995, subject to an inflation adjustment each year. During most of 2010, the monthly rate was \$8,208. The Association paid \$101,115 and \$98,758 in 2010 and 2009, respectively, included in contracts expense.

NOTE H – NOTE PAYABLE

In order to help finance the air conditioning system replacement project (see Note I), the Association obtained a \$750,000 loan with a financial institution bearing an interest rate of 5.84% due in monthly installments of \$10,548 through 2011. The loan is secured by common property and will be repaid through special assessments. The balance on the note was \$51,090 at April 30, 2010.

Future maturities of the note payable are as follows:

Year Ended April 30,

2011	\$	51,090
Thereafter		-
	\$	<u>51,090</u>

NOTE I – A/C RETROFIT ASSESSMENT

In January 2004, the Association levied an A/C retrofit assessment in the amount of \$1,100,000 to cover the costs of replacing the Association's air conditioning system. Accounting principles generally accepted within the Common Interest Realty Association industry require special assessments to be recorded as revenue in the period they are levied unless they are designated for specific expenditures, in which case, they are recorded as revenue as the expenditures are incurred. During the year ended April 30, 2004, the Association incurred expenditures relating to the A/C Retrofit project totaling \$738,024 and recognized the same as revenue. Of the amount recognized as revenue, \$328,355 was received in cash prior to April 30, 2004 and the remaining \$409,669 was recorded as A/C Retrofit Assessment Receivable in the balance sheet at April 30, 2004. During the year ended April 30, 2005, the A/C Retrofit project was completed and the Association recognized the remaining \$361,976 as revenue.

American Towers Owners Association

Notes to Financial Statements

Year Ended April 30, 2010

Page 11

NOTE I – A/C RETROFIT ASSESSMENT (CONTINUED)

Additional cash payments were received during the year ended April 30, 2005 totaling \$159,471 leaving \$612,174 receivable at April 30, 2005. As of April 30, 2006, the Association had received additional cash payments totaling \$122,325 leaving \$489,849 receivable at April 30, 2006. As of April 30, 2007, the Association had received additional cash payments totaling \$103,404 leaving \$386,445 receivable at April 30, 2007. As of April 30, 2008, the Association had received additional cash payments totaling \$101,313 leaving \$285,132 receivable at April 30, 2008. As of April 30, 2009, the Association had received additional cash payments totaling \$102,234 leaving \$182,898 receivable at April 30, 2009. As of April 30, 2010, the Association had received additional cash payments totaling \$98,541 leaving \$84,357 receivable at April 30, 2010. The A/C Retrofit Assessment Receivable is collectible over the remaining seven-year term at 6.5% interest. The Association believes the A/C Retrofit Assessment Receivable is fully collectible, and has elected not to record an allowance for doubtful accounts.

NOTE J – SUBSEQUENT EVENTS

In accordance with FASB Accounting Standards Codification 855, Subsequent Events, the Company has evaluated subsequent events through July 19, 2010, which is the date these financial statements were issued. All subsequent events requiring recognition as of July 19, 2010, have been incorporated into these financial statements herein.

SUPPLEMENTARY INFORMATION

American Towers Owners Association

Supplementary Information on Future Major Repairs and Replacements (Unaudited)

Year Ended April 30, 2010

Page 12

The Association's board authorized Association Reserves, Inc. to complete a reserve study for the year ended April 30, 2010, to estimate the remaining useful lives and the replacement costs of the components of Residential Fund property. The study was completed after a site visit and was issued in March of 2010. The estimates were based on estimated replacement costs over the next 30 years. Funding requirements are based on an annual inflation rate of 3.00 percent and an interest rate of 2.00 percent on the amounts funded for future major repairs and replacements.

Components	Estimated remaining useful lives (years)	Estimated Replacement Costs	2011 funding requirement	Component of fund balance at April 30, 2010
Exterior	5-24	\$ 84,767	\$ 3,572	\$ -
Common areas	0-15	1,095,630	100,401	243,200
Elevators	1-19	1,449,388	38,213	16,800
Parking	0-12	183,776	53,714	40,000
Total Assets		<u>\$ 2,813,561</u>	<u>\$ 195,900</u>	<u>\$ 300,000</u>

The above summary information of future repairs and replacements for the residential fund was not audited and was completed on March 16, 2010, prior to the audit completion date of July 19, 2010 and has not been subsequently updated. As a result the component of fund balance at April 30, 2010 per the reserve study was \$300,000 and the audited fund balance totaled \$238,744. As of April 30, 2010 the residential fund was 28% funded, as compared to the reserve study recommended fund balance of \$844,136.

Unaudited - See report of independent auditors

American Towers Owners Association

Supplementary Information on Future Major Repairs and Replacements (Unaudited)

Year Ended April 30, 2010

Page 13

The Association's board authorized Association Reserves, Inc. to complete a reserve study for the year ended April 30, 2010, to estimate the remaining useful lives and the replacement costs of the components of Common Fund property. The study was completed after a site visit and was issued in March of 2010. The estimates were based on estimated replacement costs over the next 30 years. Funding requirements are based on an annual inflation rate of 3.00 percent and an interest rate of 2.00 percent on the amounts funded for future major repairs and replacements.

Components	Estimated remaining useful lives (years)	Estimated Replacement Costs	2011 funding requirement	Component of fund balance at April 30, 2010
Exterior	0-15	\$ 880,000	\$ 58,165	\$ 195,738
HVAC & Plumbing	0-20	998,000	58,130	48,690
Mechanical	0-10	235,000	48,105	50,572
Total Assets		<u>\$ 2,113,000</u>	<u>\$ 164,400</u>	<u>\$ 295,000</u>

The above summary information of future repairs and replacements for the common fund was not audited and was completed on March 16, 2010, prior to the audit completion date of July 19, 2010 and has not been subsequently updated. As a result the component of fund balance at April 30, 2010 per the reserve study was \$295,000 and the audited fund balance totaled \$274,151. As of April 30, 2010 the common fund was 37% funded, as compared to the reserve study recommended fund balance of \$735,045.

Unaudited - See report of independent auditors