

AMERICAN TOWERS OWNERS ASSOCIATION

AUDIT OF FINANCIAL STATEMENTS

For the year ended April 30, 2012

together with

REPORT OF INDEPENDENT AUDITORS

AMERICAN TOWERS OWNERS ASSOCIATION

Table of Contents

Independent Auditors' Report	1
Audited Financial Statements:	
Statement of Assets, Liabilities, and Fund Balances.	2
Statement of Revenues, Expenses, and Changes in Fund Balances.	3
Statement of Cash Flows	4
Notes to Financial Statements	5

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Members

American Towers Owners Association

We have audited the accompanying statement of assets, liabilities, and fund balances of American Towers Owners Association, as of April 30, 2012 and the related statements of revenues, 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, 2011 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 December 22, 2011.

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 of 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 2012 financial statements referred to above present fairly, in all material respects, the financial position of American Towers Owners Association as of April 30, 2012 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mantyla McReynolds LLC

Salt Lake City, Utah

September 20, 2012

AMERICAN TOWERS OWNERS' ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
As of April 30, 2012

	2012				2011
	Operating Fund	Residential Fund	Common Fund	Total	Total (for Comparative Purposes Only)
ASSETS					
Cash & Cash Equivalents	\$ 75,198	\$ 153,839	\$ 199,837	\$ 428,874	\$ 436,171
Investments	-	265,900	-	265,900	243,361
Assessments Receivable	5,397	6,311	6,437	18,145	58,953
Prepaid expenses & deposits	13,543	-	-	13,543	24,235
Inventory	4,620	-	-	4,620	8,849
Interfund receivable (payable)	(13,069)	8,759	4,310	-	-
Total Assets	\$ 85,689	\$ 434,809	\$ 210,584	\$ 731,082	\$ 771,569
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 6,495	\$ -	\$ 6,357	\$ 12,852	\$ 46,305
Accrued Liabilities	55,606	-	-	55,606	92,390
Income Taxes Payable	391	-	-	391	395
Deferred Revenue	63,271	5,913	4,731	73,915	74,725
Total Liabilities	125,763	5,913	11,088	142,764	213,815
Fund Balances (Deficit)	(40,074)	428,896	199,496	588,318	557,754
Total Liabilities and Fund Balances	\$ 85,689	\$ 434,809	\$ 210,584	\$ 731,082	\$ 771,569

See accompanying notes to financial statements

AMERICAN TOWERS OWNERS' ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
For the Year Ended April 30, 2012

	2012			2011	
	Operating Fund	Residential Fund	Common Fund	Total	Total (for Comparative Purposes Only)
Revenue					
Member Assessments	\$ 1,667,388	\$ 196,020	\$ 164,556	\$ 2,027,964	\$ 2,030,767
Interest	-	22,554	7	22,561	23,203
Other	30,481	-	-	30,481	74,353
Total Revenue	<u>\$ 1,697,869</u>	<u>\$ 218,574</u>	<u>\$ 164,563</u>	<u>\$ 2,081,006</u>	<u>\$ 2,128,323</u>
Expenses					
Payroll	\$ 564,145	\$ -	\$ -	\$ 564,145	\$ 541,905
Utilities	427,496	-	-	427,496	423,065
Taxes, insurance, and other	240,654	-	-	240,654	236,091
Contracts	252,459	53,086	-	305,545	277,261
Major repairs and replacement expenditures	-	9,695	36,847	46,542	278,999
Maintenance and repairs	92,221	10,301	192,038	294,560	185,265
Interest Expense	-	1,315	-	1,315	718
Legal and professional	20,282	-	-	20,282	18,510
Supplies	61,665	-	-	61,665	56,367
Administrative	86,306	-	-	86,306	51,340
Income taxes	1,932	-	-	1,932	2,342
Total Expenses	1,747,160	74,397	228,885	2,050,442	2,071,863
Excess (deficiency) of revenue over expenses	<u>(49,291)</u>	<u>144,177</u>	<u>(64,322)</u>	<u>30,564</u>	<u>56,460</u>
Beginning fund balances (deficit)	<u>9,217</u>	<u>284,719</u>	<u>263,818</u>	<u>557,754</u>	<u>501,294</u>
Ending fund balances	<u>\$ (40,074)</u>	<u>\$ 428,896</u>	<u>\$ 199,496</u>	<u>\$ 588,318</u>	<u>\$ 557,754</u>

See accompanying notes to financial statements

AMERICAN TOWERS OWNERS' ASSOCIATION
STATEMENT OF CASH FLOWS
For the Year Ended April 30, 2012

	2012				2011
	Operating Fund	Residential Fund	Common Fund	Total	Total (for Comparative Purposes Only)
Cash Flows from Operating Activities					
Excess (deficiency) of revenue over expenses	\$ (49,291)	\$ 144,177	\$ (64,322)	\$ 30,564	\$ 56,460
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash and cash equivalents provided by (used in) operating activities:					
Accretion of investments	-	(22,539)	-	(22,539)	(20,628)
(Increase) decrease in assets:					
Assessments receivable	37,871	1,411	1,526	40,808	(25,243)
A/C retrofit assessment receivable	-	-	-	-	84,357
Interfund receivable/payable	3,987	1,172	(5,159)	-	-
Inventory	4,229	-	-	4,229	(5,849)
Prepaid Expense	10,692	-	-	10,692	(509)
(Decrease) increase in liabilities:					
Accounts payable	(34,126)	-	673	(33,453)	(3,725)
Accrued liabilities	(4,377)	(32,407)	-	(36,784)	(63,472)
Income taxes payable	(4)	-	-	(4)	(570)
Deferred revenue	(697)	(63)	(50)	(810)	4,569
Net cash and cash equivalents provided by (used in) operating activities	<u>(31,716)</u>	<u>91,751</u>	<u>(67,332)</u>	<u>(7,297)</u>	<u>25,390</u>
Cash Flows from Financing Activities					
Principal payments on note payable		\$ -	\$ -	-	\$ (51,090)
Net cash and cash equivalents used in financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(51,090)</u>
Net increase (decrease) in cash and cash equivalents	(31,716)	91,751	(67,332)	(7,297)	(25,700)
Cash and cash equivalents at beginning of year	106,914	62,088	267,169	436,171	461,871
Cash and cash equivalents at end of year	<u>\$ 75,198</u>	<u>\$ 153,839</u>	<u>\$ 199,837</u>	<u>\$ 428,874</u>	<u>\$ 436,171</u>

**Supplemental disclosures of cash flow
information**

Cash paid during the year for:

Income taxes	\$ 2,342	\$ -
Interest	\$ -	\$ 708

See accompanying notes to financial statements

AMERICAN TOWERS OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended April 30, 2012

NOTE 1 SUMMARY OF SIGNICANT ACCOUNTING POLICIES

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

Business Activity

The American Towers Owners Association (the Association) was organized as a not-for-profit corporation for the 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, UT. The Association began operations in July 1982. Its primary source of revenue is assessments to each of the unit's owners.

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 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 the 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.

Basic Assessments

Each year a basic assessment is determined based on advance estimates of the Association's expense 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 replacement and improvements (Note 3), deficits remaining from a previous period, creation of a contingency reserve, and any other expense incurred for the benefit of the owners.

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.

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

AMERICAN TOWERS OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended April 30, 2012

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, expense 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.

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.

Fair Value of Financial Instruments

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

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.

Investments

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

Inventory

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

Income Taxes

As of April 30, 2012, 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 members.

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.

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 expenses for the period. Actual results could differ significantly from those estimates.

AMERICAN TOWERS OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended April 30, 2012

Comparative Totals for 2011

The 2011 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, 2011, from which the summarized information was derived.

NOTE 2 CASH ACCOUNTS

The Association maintains its cash balances in two financial institutions. At April 30, 2012 and 2011, the Association had \$103,667 and \$79,258, respectively, in excess of federally insured limits for deposits.

NOTE 3 FUTURE MAJOR REPAIRS AND REPLACEMENTS

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

The Association's board authorized Association Reserves, Colorado, LLC. to complete a study in March 2010 for the period beginning May 1, 2010 and ending April 30, 2011 to estimate the remaining useful lives and replacement costs of the components of common property. The estimates were based on future estimated replacements 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 Association budgeted \$164,556 and \$196,020 for the Common Funds and Residential Fund, respectively, for the year 2013. The updated study completed in 2010, recommends a funding requirement of \$174,412 and \$207,830 respectively, in 2013 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 need 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, 2012, the residential and common funds are 28% and 37% funded, respectively.

The Association has recorded a net payable of \$13,069 in the Operating Fund representing assessments not yet transferred to the respective reserve 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.

NOTE 4 INVESTMENTS

Investments at April 30, 2012 consist of corporate bonds, which mature in December 2012. The bonds are held to maturity and recorded at amortized cost. The unrealized holding gain was \$4,300 and \$19,139 at April 30, 2012 and 2011, respectively.

AMERICAN TOWERS OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended April 30, 2012

The amortized cost, unrealized gains and fair values of the Association's held to maturity securities at April 30, 2012 and 2011, are summarized as follows:

	2012	2011
Amortized cost	\$ 265,900	\$ 243,361
Gross unrealized gains	4,300	19,139
Estimated fair value	<u>\$ 270,200</u>	<u>\$ 262,500</u>

NOTE 5 ACCRUED LIABILITIES

Accrued liabilities as of April 30, 2012 and 2011, consist of the following:

	2012	2011
Accrued vacation payable	\$ 38,706	\$ 41,536
Other	16,900	50,854
	<u>\$ 55,606</u>	<u>\$ 92,390</u>

NOTE 6 COMMITMENTS

The Association is party to a reciprocal easement and maintenance agreement relating to the real property on Block 58 in Salt Lake City, UT, 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 \$29,594 and \$29,654 in 2012 and 2011 respectively, which are included in the residential fund contracts expense of \$53,086 and \$32,407 in 2012 and 2011, respectively.

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 2012, the monthly rate was \$9,338. The Association paid \$111,713 and \$106,222 in 2012 and 2011, respectively, which are included in the operating fund contracts expense.

NOTE 7 BANK LINE OF CREDIT

In April 2012 the Company entered into a Line of Credit with Zions First National Bank in order to pay for rooftop repairs. The total amount of credit available is \$1,000,000, the interest rate is fixed at 5.7%, and the maturity date is November 1, 2019. The total amount of credit utilized as of April 30, 2012 and September 20, 2012 was \$0 and \$216,412, respectively.

NOTE 8 FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

AMERICAN TOWERS OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended April 30, 2012

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The carrying amounts reported in the balance sheets for cash, accounts receivable, accounts payable, accrued expenses and note payables, approximate their fair market value based on the short-term maturity of these instruments.

The following fair value hierarchy table presents information about the Company's assets measured at fair value on a recurring basis as of April 30, 2012:

	Level 1	Level 2	Level 3	Total Carrying Value
Held to maturity securities	\$ 270,200	\$ -	\$ -	\$ 270,200

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

During the years ended April 30, 2012 and 2011, there were no significant measurements of assets or liabilities at fair value (as defined in ASC 820-10-20) on a nonrecurring basis subsequent to their initial recognition.

NOTE 9 SUBSEQUENT EVENTS

The Association has evaluated subsequent events through September 20, 2012, the date the financial statements were issued, and has concluded that no recognized or non-recognized subsequent events have occurred since the year ended April 30, 2012.