

AMERICAN TOWERS OWNERS ASSOCIATION

AUDIT OF FINANCIAL STATEMENTS

For the year ended April 30, 2013

together with

INDEPENDENT AUDITOR'S REPORT

AMERICAN TOWERS OWNERS ASSOCIATION

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Independent Auditor's 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, 2013, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended April 30, 2012 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 September 20, 2012. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 financial statements referred to above present fairly, in all material respects, the financial position of American Towers Owners Association as of April 30, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mantyla McReynolds, LLC

Mantyla McReynolds, LLC
Salt Lake City, Utah
November 22, 2013

AMERICAN TOWERS OWNERS ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
As of April 30, 2013

	2013				2012
	Operating Fund	Residential Fund	Common Fund	Total	Total (for Comparative Purposes Only)
ASSETS					
Cash & Cash Equivalents	\$ 81,137	\$ 543,323	\$ 391,562	\$ 1,016,022	\$ 428,874
Investments	-	-	-	-	265,900
Assessments Receivable	8,387	1,540	-	9,927	18,145
Prepaid expenses & deposits	11,749	-	-	11,749	13,543
Rooftop refurbishment assessment receivable	-	61,926	487,389	549,315	-
Inventory	4,620	-	-	4,620	4,620
Interfund receivable (payable)	(27,670)	12,534	15,136	-	-
Total Assets	\$ 78,223	\$ 619,323	\$ 894,087	\$ 1,591,633	\$ 731,082
LIABILITIES AND FUND BALANCES					
Liabilities					
Current Liabilities					
Accounts Payable	\$ 14,359	\$ 1,002	\$ 595	\$ 15,956	\$ 12,852
Accrued Liabilities	58,104	43,709	-	101,813	55,606
Income Taxes Payable	3,955	-	-	3,955	391
Deferred Revenue	68,197	5,913	4,731	78,841	73,915
Notes Payable - Current Portion	-	-	66,804	66,804	73,915
Total Current Liabilities	144,615	50,624	72,130	267,369	216,679
Notes Payable, Net of Current Portion	-	-	480,051	480,051	-
Total Liabilities	144,615	50,624	552,181	747,420	216,679
Fund Balances (Deficit)	(66,392)	568,699	341,906	844,213	588,318
Total Liabilities and Fund Balances	\$ 78,223	\$ 619,323	\$ 894,087	\$ 1,591,633	\$ 731,082

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, 2013

	2013				2012
	Operating Fund	Residential Fund	Common Fund	Total	Total (for Comparative Purposes Only)
Revenue					
Member Assessments	\$ 1,667,499	\$ 196,020	\$ 164,556	\$ 2,028,075	\$ 2,027,964
Rooftop Refurbishment Assessments	-	146,025	861,108	1,007,133	-
Interest	-	14,130	23	14,153	22,561
Other	35,574	-	-	35,574	30,481
Total Revenue	<u>\$ 1,703,073</u>	<u>\$ 356,175</u>	<u>\$ 1,025,687</u>	<u>\$ 3,084,935</u>	<u>\$ 2,081,006</u>
Expenses					
Payroll	\$ 534,327	\$ -	\$ -	\$ 534,327	\$ 564,145
Utilities	449,906	-	-	449,906	427,496
Taxes, insurance, and other	240,350	-	-	240,350	240,654
Contracts	262,080	43,709	-	305,789	305,545
Major repairs and replacement expenditures	-	155,620	813,386	969,006	46,542
Maintenance and repairs	108,850	17,043	53,100	178,993	294,560
Interest Expense	-	-	16,791	16,791	1,315
Legal and professional	14,448	-	-	14,448	20,282
Supplies	56,352	-	-	56,352	61,665
Administrative	33,266	-	-	33,266	86,306
Income taxes	2,950	-	-	2,950	1,932
Bad Debt	26,862	-	-	26,862	-
Total Expenses	1,729,391	216,372	883,277	2,829,040	2,050,442
Excess (deficiency) of revenue over expenses	<u>(26,318)</u>	<u>139,803</u>	<u>142,410</u>	<u>255,895</u>	<u>30,564</u>
Beginning fund balances (deficit)	<u>(40,074)</u>	<u>428,896</u>	<u>199,496</u>	<u>588,318</u>	<u>557,754</u>
Ending fund balances (deficit)	<u>\$ (66,392)</u>	<u>\$ 568,699</u>	<u>\$ 341,906</u>	<u>\$ 844,213</u>	<u>\$ 588,318</u>

See accompanying notes to financial statements

AMERICAN TOWERS OWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
For the Year Ended April 30, 2013

	2013				2012
	Operating Fund	Residential Fund	Common Fund	Total	Total (for Comparative Purposes Only)
Cash Flows from Operating Activities					
Excess (deficiency) of revenue over expenses	\$ (26,318)	\$ 139,803	\$ 142,410	\$ 255,895	\$ 30,564
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash and cash equivalents provided by (used in) operating activities:					
Accretion of investments	-	(14,100)	-	(14,100)	(22,539)
(Increase) decrease in assets:					
Assessments receivable	(2,990)	4,771	6,437	8,218	40,808
Rooftop refurbishment assessment receivable	-	(61,926)	(487,389)	(549,315)	-
Interfund receivable/payable	14,601	(3,775)	(10,826)	-	-
Inventory	-	-	-	-	4,229
Prepaid Expense	1,794	-	-	1,794	10,692
(Decrease) increase in liabilities:					
Accounts payable	7,864	1,002	(5,762)	3,104	(33,453)
Accrued liabilities	2,498	43,709	-	46,207	(36,784)
Income taxes payable	3,564	-	-	3,564	(4)
Deferred revenue	4,926	-	-	4,926	(810)
Net cash and cash equivalents provided by (used in) operating activities	<u>5,939</u>	<u>109,484</u>	<u>(355,130)</u>	<u>(239,707)</u>	<u>(7,297)</u>
Cash Flows from Investing Activities					
Maturity of GMAC Bond	-	280,000	-	280,000	-
Net cash and cash equivalents provided by investing activities	<u>-</u>	<u>280,000</u>	<u>-</u>	<u>280,000</u>	<u>-</u>
Cash Flows from Financing Activities					
Proceeds from Note Payable	-	-	1,000,000	1,000,000	-
Payment on Note Payable	-	-	(453,145)	(453,145)	-
Net cash and cash equivalents used in financing activities	<u>-</u>	<u>-</u>	<u>546,855</u>	<u>546,855</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	5,939	389,484	191,725	587,148	(7,297)
Cash and cash equivalents at beginning of year	75,198	153,839	199,837	428,874	436,171
Cash and cash equivalents at end of year	<u>\$ 81,137</u>	<u>\$ 543,323</u>	<u>\$ 391,562</u>	<u>\$ 1,016,022</u>	<u>\$ 428,874</u>
Supplemental disclosures of cash flow information					
Cash paid during the year for:					
Income taxes				\$ -	\$ 2,342
Interest				\$ 16,791	\$ -

See accompanying notes to financial statements

AMERICAN TOWERS OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended April 30, 2013

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, Utah. 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

AMERICAN TOWERS OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended April 30, 2013

NOTE 1 SUMMARY OF SIGNICANT ACCOUNTING POLICIES (CONTINUED)

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, 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. During the year ended April 30, 2013, the Association had corporate securities that matured and the Association received cash of \$280,000 as a result.

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, 2013, 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

AMERICAN TOWERS OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended April 30, 2013

NOTE 1 SUMMARY OF SIGNICANT ACCOUNTING POLICIES (CONTINUED)

required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and expenses for the period. Actual results could differ significantly from those estimates.

Comparative Totals for 2012

The 2012 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, 2012, from which the summarized information was derived.

NOTE 2 CASH ACCOUNTS

The Association maintains its cash balances in two financial institutions. At April 30, 2013 and 2012, the Association had \$434,885 and \$103,667, 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 2014. The updated study completed in 2010, recommends a funding requirement of \$197,324 and \$234,601 respectively, in 2014 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, 2013, the residential and common funds are 26% and 86% funded, respectively.

The Association has recorded a net payable of \$27,670 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.

AMERICAN TOWERS OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended April 30, 2013

NOTE 4 ACCRUED LIABILITIES

Accrued liabilities as of April 30, 2013 and 2012, consist of the following:

	2013	2012
Accrued vacation payable	\$ 40,030	\$ 38,706
Parking assessment	43,709	-
Other	18,074	16,900
	<u>\$ 101,813</u>	<u>\$ 55,606</u>

NOTE 5 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 \$30,372 and \$29,594 in 2013 and 2012 respectively, which are included in the residential fund contracts expense of \$43,709 and \$53,086 in 2013 and 2012, 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 2013, the monthly rate was \$9,979. The Association paid \$116,092 and \$111,713 in 2013 and 2012, respectively, which are included in the operating fund contracts expense.

NOTE 6 NOTES PAYABLE

During the year ended April 30, 2013, the Association entered into a debt agreement with a bank to finance a rooftop refurbishment project. The original loan amount was \$1,000,000 with an annual interest rate of 5.7%. Borrowings are collateralized by the rooftop refurbishment assessments and the rooftop refurbishment assessments receivable. Interest and principal payments on the note are due and payable on a monthly basis. As of April 30, 2013, the outstanding amount of the note payable was \$546,855. The note matures on November 1, 2019.

Principal payments on the above line of credit, notes and loans are due during the following years:

	Note Payable	Total
2014	\$ 66,804	\$ 66,804
2015	100,206	100,206
2016	100,206	100,206
2017	100,206	100,206
2018 & Thereafter	179,433	179,433
	<u>\$ 546,855</u>	<u>\$ 546,855</u>

AMERICAN TOWERS OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended April 30, 2013

NOTE 7 SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 22, 2013, 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, 2013.