

American Towers Home Owners  
Association

Financial Statements and  
Independent Auditor's Report  
**April 30, 2014**

# American Towers Home Owners Association

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Financial Statements and Independent Auditor's report

For the Year Ended April 30, 2014

# American Towers Home Owners Association

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## Independent Auditor's Report

The Board of Directors and Members  
American Towers Home Owners Association

We have audited the accompanying statement of assets, liabilities, and fund balances of American Towers Home Owners Association as of April 30, 2014, 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 audits. Information for the year ended April 30, 2013 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 22, 2013. 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 Home Owners Association as of April 30, 2014, 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  
Salt Lake City, Utah  
October 3, 2014

**American Towers Home Owners Association**  
**Statement of Assets, Liabilities, and Fund Balances**  
**April 30, 2014**

	2014			2013	
	Operating Fund	Residential Fund	Common Fund	Total	Total (for Comparative Purposes Only)
<b>ASSETS</b>					
Cash & Cash Equivalents	\$ 90,697	\$ 724,126	\$ 433,232	\$ 1,248,055	\$ 1,016,022
Assessments Receivable	14,825	-	-	14,825	9,927
Prepaid expenses & deposits	-	-	-	-	11,749
Rooftop refurbishment assessment receivable	-	44,052	334,904	378,956	549,315
Inventory	4,440	-	-	4,440	4,620
Interfund receivable (payable)	(29,807)	17,629	12,178	-	-
<b>Total Assets</b>	<b>\$ 80,155</b>	<b>\$ 785,807</b>	<b>\$ 780,314</b>	<b>\$ 1,646,276</b>	<b>\$ 1,591,633</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$ 19,866	\$ -	\$ 7,544	\$ 27,410	\$ 15,956
Accrued Liabilities	76,055	76,197	-	152,252	101,813
Income Taxes Payable	-	-	-	-	3,955
Deferred Revenue	77,046	7,201	5,760	90,007	78,841
Notes Payable - Current Portion	-	-	74,543	74,543	66,804
<b>Total Current Liabilities</b>	<b>172,967</b>	<b>83,398</b>	<b>87,847</b>	<b>344,212</b>	<b>267,369</b>
Notes Payable, Net of Current Portion	-	-	401,962	401,962	480,051
<b>Total Liabilities</b>	<b>172,967</b>	<b>83,398</b>	<b>489,809</b>	<b>746,174</b>	<b>747,420</b>
<b>Fund Balances (Deficit)</b>	<b>(92,812)</b>	<b>702,409</b>	<b>290,505</b>	<b>900,102</b>	<b>844,213</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 80,155</b>	<b>\$ 785,807</b>	<b>\$ 780,314</b>	<b>\$ 1,646,276</b>	<b>\$ 1,591,633</b>

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

**American Towers Home Owners Association**  
**Statement of Revenues, Expenses, and Changes in Fund Balances**  
**For the Year Ended April 30, 2014**

	2014			2013	
	Operating Fund	Residential Fund	Common Fund	Total	Total (for Comparative Purposes Only)
<b>Revenue</b>					
Member Assessments	\$ 1,667,609	\$ 196,020	\$ 164,556	\$ 2,028,185	\$ 2,028,075
Rooftop Refurbishment Assessments	-	-	-	-	1,007,133
Interest	53	3,379	41	3,473	14,153
Other	36,957	-	120	37,077	35,574
<b>Total Revenue</b>	<b>\$ 1,704,619</b>	<b>\$ 199,399</b>	<b>\$ 164,717</b>	<b>\$ 2,068,735</b>	<b>\$ 3,084,935</b>
<b>Expenses</b>					
Payroll	548,767	\$ -	\$ -	\$ 548,767	\$ 534,327
Utilities	470,658	-	-	470,658	449,906
Taxes, insurance, and other	206,496	-	-	206,496	240,350
Contracts	275,276	31,197	-	306,473	305,789
Major repairs and replacement expenditures	-	24,771	139,699	164,470	969,006
Maintenance and repairs	115,860	9,721	59,559	185,140	178,993
Interest Expense	-	-	16,860	16,860	16,791
Legal and professional	22,312	-	-	22,312	14,448
Supplies	54,739	-	-	54,739	56,352
Administrative	36,302	-	-	36,302	33,266
Income taxes	629	-	-	629	2,950
Bad Debt	-	-	-	-	26,862
<b>Total Expenses</b>	<b>1,731,039</b>	<b>65,689</b>	<b>216,118</b>	<b>2,012,846</b>	<b>2,829,040</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>(26,420)</b>	<b>133,710</b>	<b>(51,401)</b>	<b>55,889</b>	<b>255,895</b>
<b>Beginning fund balances (deficit)</b>	<b>(66,392)</b>	<b>568,699</b>	<b>341,906</b>	<b>844,213</b>	<b>588,318</b>
<b>Ending fund balances (deficit)</b>	<b>\$ (92,812)</b>	<b>\$ 702,409</b>	<b>\$ 290,505</b>	<b>\$ 900,102</b>	<b>\$ 844,213</b>

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

**American Towers Home Owners Association**  
**Statement of Cash Flows**  
**For the Year Ended April 30, 2014**

	2014				2013
	Operating Fund	Residential Fund	Common Fund	Total	Total (for Comparative Purposes Only)
<b>Cash Flows from Operating Activities</b>					
Excess (deficiency) of revenue over expenses	\$ (26,420)	\$ 133,710	\$ (51,401)	\$ 55,889	\$ 255,895
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)
(Increase) decrease in assets:					
Assessments receivable	(6,438)	1,540	-	(4,898)	8,218
Rooftop refurbishment assessment receivable	-	17,874	152,485	170,359	(549,315)
Interfund receivable/payable	2,137	(5,095)	2,958	-	-
Inventory	180	-	-	180	-
Prepaid Expense	11,749	-	-	11,749	1,794
(Decrease) increase in liabilities:					
Accounts payable	5,507	(1,002)	6,949	11,454	3,104
Accrued liabilities	17,951	32,488	-	50,439	46,207
Income taxes payable	(3,955)	-	-	(3,955)	3,564
Deferred revenue	8,849	1,288	1,029	11,166	4,926
Net cash and cash equivalents provided by (used in) operating activities	<u>9,560</u>	<u>180,803</u>	<u>112,020</u>	<u>302,383</u>	<u>(239,707)</u>
<b>Cash Flows from Investing Activities</b>					
Maturity of GMAC Bond	-	-	-	-	280,000
Net cash and cash equivalents provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,000</u>
<b>Cash Flows from Financing Activities</b>					
Proceeds from Note Payable	-	-	-	-	1,000,000
Payment on Note Payable	-	-	(70,350)	(70,350)	(453,145)
Net cash and cash equivalents provided by (used in) financing activities	<u>-</u>	<u>-</u>	<u>(70,350)</u>	<u>(70,350)</u>	<u>546,855</u>
Net increase (decrease) in cash and cash equivalents	9,560	180,803	41,670	232,033	587,148
Cash and cash equivalents at beginning of year	81,137	543,323	391,562	1,016,022	428,874
Cash and cash equivalents at end of year	<u>\$ 90,697</u>	<u>\$ 724,126</u>	<u>\$ 433,232</u>	<u>\$ 1,248,055</u>	<u>\$ 1,016,022</u>
<b>Supplemental disclosures of cash flow information</b>					
Cash paid during the year for:					
Income taxes				\$ 4,584	\$ -
Interest				\$ 16,860	\$ 16,791

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

**American Towers Home Owners Association**  
**Notes to the Financial Statements**  
**For the Year Ended April 30, 2014**

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**NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies 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 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. The Association is responsible for the preservation and maintenance of common property.



**American Towers Home Owners Association**  
**Notes to the Financial Statements**  
**For the Year Ended April 30, 2014**

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**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.

**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.

**Inventory**

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

**Income Taxes**

As of April 30, 2014, 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 financial statements and expenses for the period. Actual results could differ significantly from those estimates.

**Comparative Totals for 2013**

The 2013 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, 2013, from which the summarized information was derived.

**NOTE 2 CASH ACCOUNTS**

The Association maintains its cash balances in two financial institutions. At April 30, 2014 and 2013, the Association had \$907,358 and \$684,885, 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

**American Towers Home Owners Association**  
**Notes to the Financial Statements**  
**For the Year Ended April 30, 2014**

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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 \$203,244 and \$241,649 respectively, in 2015 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, 2014, the residential and common funds are 23% and 91% funded, respectively.

The Association has recorded a net payable of \$29,807 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 ACCRUED LIABILITIES**

Accrued liabilities as of April 30, 2014 and 2013 consist of the following:

	2014	2013
Accrued vacation payable	\$ 43,970	\$ 40,030
Parking assessment	76,197	43,709
Other	32,085	18,074
	<u>\$ 152,252</u>	<u>\$ 101,813</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 \$31,197 and \$30,372 in 2014 and 2013 respectively, which are included in the residential fund contracts expense of \$31,197 and \$43,709 in 2014 and 2013, 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 2014, the monthly rate was \$9,979. The Association paid \$120,322 and \$116,092 in 2014 and 2013, respectively, which are included in the operating fund contracts expense.

**American Towers Home Owners Association**  
**Notes to the Financial Statements**  
**For the Year Ended April 30, 2014**

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**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, 2014 and 2013, the outstanding amount of the note payable was \$476,505 and \$526,566, respectively. The note matures on November 1, 2019.

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

2015	\$	74,543
2016		78,918
2017		83,671
2018		88,653
2019 & Thereafter		150,720
		<hr/>
	\$	<u>476,505</u>

**NOTE 7 SUBSEQUENT EVENTS**

The Association has evaluated subsequent events through October 3, 2014, 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, 2014.