

AMERICAN TOWERS OWNERS ASSOCIATION

AUDIT OF FINANCIAL STATEMENTS

For the year ended April 30, 2015

together with

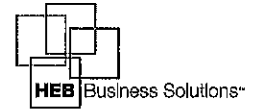
REPORT OF INDEPENDENT AUDITORS

AMERICAN TOWERS OWNERS ASSOCIATION

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REPORT OF INDEPENDENT AUDITORS



To the Board of Trustees and members
American Towers Owners Association

We have audited the accompanying financial statements of American Towers Owners Association, which comprise the balance sheet as of April 30, 2015, and the related statements of revenues, expenses, and changes in fund balance 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, 2014 is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year, on which other auditors expressed an unqualified opinion in their report dated October 3, 2014. 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, 2015, 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.

Required Supplementary Information

As explained in Note C, information about the estimates of future costs of major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements has not been included. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

 Adam E. Baum LLC

Salt Lake City, Utah
June 7, 2016

American Towers Owners Association

Balance Sheet

April 30, 2015

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ASSETS	2015				2014
	Operating Fund	Residential Fund	Common Fund	Total	Total (for Comparative Purposes Only)
Cash and cash equivalents	\$ 66,607	\$ 285,139	\$ 417,190	\$ 768,936	\$ 1,248,055
Assessments receivable	26,927	-	-	26,927	14,825
Rooftop refurbishment assessment receivable	-	27,588	243,173	270,761	378,956
Remodel and redecoration assessment receivable	-	-	588,059	588,059	-
Inventory	4,440	-	-	4,440	4,440
Interfund receivable (payable)	(28,868)	18,316	10,552	-	-
Total Assets	\$ 69,106	\$ 331,043	\$ 1,258,974	\$ 1,659,123	\$ 1,646,276
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 32,055	\$ -	\$ -	\$ 32,055	\$ 27,410
Accrued liabilities	71,156	57,058	-	128,214	152,252
Income taxes payable	100	-	-	100	-
Deferred revenue - unearned assessments	54,193	7,201	5,760	67,154	90,007
Note payable	-	-	401,940	401,940	476,505
Total Liabilities	157,504	64,259	407,700	629,463	746,174
Fund balances	(88,398)	266,784	851,274	1,029,660	900,102
Total Liabilities and Fund Balances	\$ 69,106	\$ 331,043	\$ 1,258,974	\$ 1,659,123	\$ 1,646,276

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, 2015

	2015				2014
	Operating Fund	Residential Fund	Common Fund	Total	Total (for Comparative Purposes Only)
Revenue					
Member assessments	\$ 1,700,760	\$ 197,960	\$ 185,216	\$ 2,083,936	\$ 2,028,185
Special Assessments	-	532,660	588,059	1,120,719	-
Interest	54	69	44	167	3,473
Other	32,588	-	-	32,588	37,077
Total Revenue	1,733,402	730,689	773,319	3,237,410	2,068,735
Expenses					
Payroll	557,955	-	-	557,955	548,767
Utilities	482,821	-	-	482,821	470,658
Taxes, insurance, and other	192,386	-	-	192,386	206,496
Contracts	285,365	-	-	285,365	306,473
Major repairs and replacement expenditures	-	1,093,813	104,180	1,197,993	164,470
Maintenance and repairs	171,642	72,501	82,729	326,872	185,140
Interest expense	-	-	25,641	25,641	16,860
Legal and professional	13,524	-	-	13,524	22,312
Supplies	19,454	-	-	19,454	54,739
Administrative	5,741	-	-	5,741	36,302
Income taxes	100	-	-	100	629
Depreciation	-	-	-	-	-
Total Expenses	1,728,988	1,166,314	212,550	3,107,852	2,012,846
(Deficiency) excess of revenue over expenses	4,414	(435,625)	560,769	129,558	55,889
Beginning fund balances (deficit)	(92,812)	702,409	290,505	900,102	844,213
Ending fund balances	\$ (88,398)	\$ 266,784	\$ 851,274	\$ 1,029,660	\$ 900,102

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

American Towers Owners Association
Statement of Cash Flows
Year Ended April 30, 2015

	2015				2014
	Operating Fund	Residential Fund	Common Fund	Total	Total (for Comparative Purposes Only)
OPERATING ACTIVITIES					
(Deficiency) excess of revenue over expenses	\$ 4,414	\$ (435,625)	\$ 560,769	\$ 129,558	\$ 55,889
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash and cash equivalents provided by (used in) operating activities:					
(Increase) decrease in assets:					
Assessments receivable	(12,102)	16,464	91,731	96,093	(4,898)
Rooftop assessment receivable	-	-	-	-	170,359
Special assessment receivable	-	-	(588,059)	(588,059)	-
Interfund receivable/payable	(939)	(687)	1,626	-	-
Inventory	-	-	-	-	180
Prepaid expenses	-	-	-	-	11,749
(Decrease) increase in liabilities:					
Accounts payable	12,189	-	(7,544)	4,645	11,454
Accrued liabilities	(4,899)	(19,139)	-	(24,038)	50,439
Income taxes payable	100	-	-	100	(3,955)
Deferred revenue	(22,853)	-	-	(22,853)	11,166
Net cash and cash equivalents provided by (used in) operating activities	(24,090)	(438,987)	58,523	(404,554)	302,383
FINANCING ACTIVITIES					
Principal payments on note payable	-	-	(74,565)	(74,565)	(70,350)
Net cash and cash equivalents used in financing activities	-	-	(74,565)	(74,565)	(70,350)
Net increase (decrease) in cash and cash equivalents	(24,090)	(438,987)	(16,042)	(479,119)	232,033
Cash and cash equivalents at beginning of year	90,697	724,126	433,232	1,248,055	1,016,022
Cash and cash equivalents at end of year	<u>\$ 66,607</u>	<u>\$ 285,139</u>	<u>\$ 417,190</u>	<u>\$ 768,936</u>	<u>\$ 1,248,055</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION					
Cash paid during the year for:					
Income taxes				\$ -	\$ 4,584
Interest				\$ 25,641	\$ 16,860

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

American Towers Owners Association

Notes to Financial Statements

Year Ended April 30, 2015

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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 and Assessments Receivable

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. The Association's policy is to retain legal counsel and place liens on the properties of condo owners whose assessments are thirty days or more delinquent. At April 30, 2015, the Association had recorded an allowance for doubtful accounts of \$10,000.

American Towers Owners Association

Notes to Financial Statements

Year Ended April 30, 2015

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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, 2015

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Inventory

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

10. Income Taxes

As of April 30, 2015, the Association elected to file its income tax return as a taxable corporation under section 277 of the Internal Revenue Code. Under that section, amounts funded for special or capital assessments for future improvements are not subject to income taxes. The activities of the Association subject to income taxes consist principally of interest and other income.

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. As of April 30, 2015, there were no significant differences between book and tax basis with give rise to deferred taxes.

11. 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.

12. Comparative Totals for 2014

The 2014 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, 2014, from which the summarized information was derived.

American Towers Owners Association

Notes to Financial Statements

Year Ended April 30, 2015

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NOTE B – CASH ACCOUNTS

The Association maintains its cash balances in two financial institutions. At April 30, 2015 the Association had \$882,998 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 August 2014 to estimate the remaining useful lives and replacement costs of the components of common property. Subsequent to the issuance of this reserve study but prior the balance sheet date, the Association incurred major repair and replacement expenditures and levied special assessments that were recorded in the financial statements, but were not contemplated by the reserve study. For this reason, the reserve study is outdated and information about the estimates of future costs of major repairs and replacements is not presented to supplement the basic financial statements. However, the Association has budgeted \$164,556 and \$196,020 for the Common Fund and Residential Fund, respectively, for the year ended April 30, 2016. Actual expenditures may vary from the current estimates and the variations may be material. Amounts accumulated in the Common and Residential 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.

The Association has recorded a net payable of \$28,868 in the Operating Fund representing assessments not yet transferred to the Common and Residential 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 D – ACCRUED LIABILITIES

Accrued liabilities as of April 30, 2015 consist of the following:

Accrued vacation payable	\$	43,010
Accrued payroll payable		15,113
Accrued parking maintenance payable		57,057
Other		13,034
	\$	<u>128,214</u>

American Towers Owners Association

Notes to Financial Statements

Year Ended April 30, 2015

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NOTE E – 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 operating expenses relating to the common areas of the parking garage, exclusive of capital improvements. Further, the agreement requires the Association to pay 31% of the American Plaza parking annual capital improvement or repairs. Under this agreement, the Association incurred expenses of \$57,057 during fiscal year ended April 30, 2015, which are recorded in Maintenance and Repairs expense in the residential fund and \$32,229 during fiscal year ended April 30, 2015, which are recorded in Contracts expense in the operating fund.

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 the fiscal year ended April 30, 2015, the monthly rate averaged \$10,238 totaling \$122,852. This amount is recorded in Contracts expense in the operating fund.

NOTE F – NOTE 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 5.718%. Borrowings are collateralized by the rooftop refurbishment assessments and the rooftop refurbishment assessment receivable. Interest and principal payments on the note are due and payable on a monthly basis. As of April 30, 2015, the outstanding amount on the note payable was \$401,940. The note matures on October 1, 2017.

Future maturities of the note payable are as follows:

<u>Year Ended April 30,</u>	
2016	\$ 155,178
2017	164,287
2018	82,475
	<u>\$ 401,940</u>

The loan agreement requires the Association to maintain a ratio of total non-restricted cash balances at the end of each fiscal year to current portion of long term indebtedness plus interest for the coming year of not less than 1.50 to 1.0. For year ended April 30, 2015, the Association was in compliance with this covenant.

American Towers Owners Association

Notes to Financial Statements

Year Ended April 30, 2015

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NOTE G – SPECIAL ASSESSMENT

On December 10, 2014, the Association's Board of Trustees approved a special assessment to help finance a remodel and redecoration project. The total project was estimated to cost \$1,750,000. Of this amount, \$650,000 was to be used out of reserves and \$1,100,000 was to be raised from passing the special assessment. According to the Association's governing documents, all members were issued ballots and a 60% affirmative vote was required for the project to be approved. The special assessment was approved by a 64% affirmative vote on January 15, 2015. Members were given the option to make a lump sum payment or to make monthly payments over a 7 year period at a 6% interest rate. Lump sum payments were accepted beginning on February 1, 2015, and monthly payments began on March 1, 2015. As of April 30, 2015, the special assessment receivable for the remodel and redesign project totaled \$588,059.

Upon passage of the special assessment, the Association accepted a bid from a local contractor totaling approximately \$1,500,000 for the remodel and redecoration project. During the year ended April 30, 2015, total payments made to this contractor were \$862,613.

NOTE H – ACCOUNTING FOR UNCERTAIN TAX PROVISIONS

The Association adopted ASC 740-10-25, Income Taxes - Overall-Recognition, on January 1, 2009, which provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax position. The Association must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Association is no longer subject to U.S. federal, state, and local, or non-U.S. income tax examinations by tax authorities for years before 2012.

NOTE I – SUBSEQUENT EVENTS

On May 15, 2015, the Association obtained a loan to help finance the remodel and redecoration project and the proceeds from the special assessment are to be used to service the loan. The loan amount is \$800,000, bears interest at 5.711%, and requires monthly payments of \$11,608 through November 15, 2022. The loan is collateralized by cash and assessments receivable.

On May 15, 2015, the Association obtained a loan to help finance the LED lighting retrofit project. The loan amount is \$160,000, bears interest at 5.711%, and requires monthly payments of \$2,322 through November 15, 2022. The loan is collateralized by cash and assessments receivable.

In accordance with FASB Accounting Standards Codification 855, Subsequent Events, the Company has evaluated subsequent events through June 7, 2016 which is the date these financial statements were issued. All other subsequent events requiring recognition as of June 7, 2016, have been incorporated into these financial statements.