

1251 AVENUE OF THE AMERICAS
NEW YORK, N.Y. 10020

September 22, 1975

Mr. Lindsey B. Herd, Jr.,
Vice President - Treasurer
Air America, Inc.
1725 K Street, N. W.
Washington, D. C.

Dear Lindsey:

Enclosed is a memorandum commenting on the data provided in your letter of September 10, 1975 concerning the AACL inventory in Saigon. I'd like to draw your attention in particular to observation No. 1 in that memorandum. If you have any questions regarding it, please contact me.

In addition, to keep the statement preparation process moving, I've enclosed a possible balance sheet and statement of income format, for your consideration.

Sincerely,



Thomas R. Kowalski

TRK:nvg
Enclosure

APPROVED FOR RELEASE
DATE: 17-Nov-2009

COOPERS & LYBRAND
OFFICE MEMORANDUM

TO FILES
FROM Kevin McCrystal

DATE September 19, 1975
SUBJECT Air America, Inc.

Pursuant to the attached request from Mr. Lindsey B. Herd, Jr., Vice President - Treasurer of Air America, Inc., I have reconciled the amounts concerning the Air Asia Company Ltd. (AACL) inventory on hand at Saigon (SGN) as of January 31, 1975 in the request and have the following comments.

- Neither the stock record sheets nor the summary sheet (attachment 2 to Mr. Herd's letter) were used in auditing the amount of inventory included in the AACL January 31, 1975 statement. Accordingly, we can give no representation as to the accuracy of the amounts included on the sheets or the summary.

We did, however, compare the quantities and unit prices for approximately 20 items on the stock record sheets to the stock record cards, with only minor exceptions.

Balance
January 31, 1975

- Summary of SGN stock record sheets:

Account 1310 Expendables	\$ 18,393.18
1330 Mat'l. & Supplies	<u>88,690.56</u>
	105,083.74

Survey reports not included therein:

#30850	14,965.26
#30862	<u>77.85</u>

Less, adjusting entry	<u>(28,060.15)</u>
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Total invoice cost	92,066.70
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Estimated landing cost (20%)	<u>18,413.74</u>
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Total invoices and landing cost	<u>\$110,480.04</u>
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- The above differs from the amounts reflected by AACL in the letter attached in two respects.

Balance per (2) above	\$110,480.04
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a) Items not reflected in our workpapers

Class 03-D	\$ 46.28
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Class 13-2	<u>125.40</u>
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	171.68
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Landing cost @ <u>120%</u>	206.02
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September 19, 1975

b) Items not reflected in AACL schedule

Class 06	(56.35)	
Class 21	<u>(21.50)</u>	

(77.85)

Landing cost @	120%	<u>(93.42)</u>
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Balance per AACL

\$110,593.64

4. The landing cost percentage used (20%) is approximately the percentage at January 31, 1975 of total landing cost to total invoice cost before closing adjustments. It should be noted that one significant closing adjustment increases the landing cost percentage from 20% to approximately 24%. The summary sheet (attachment 2) in the attached letter represents invoice cost exclusive of landing cost.
5. The amounts in (2) and (3) above are not reduced for the excess stock reserve recorded on the books of AACL at January 31, 1975. The total excess stock reserved at January 31, 1975 was approximately 25% and 30% of the total inventory value in accounts 1310 and 1330, respectively. These percentages may or may not be representative of the excess stock amounts related to AACL's January 31, 1975 inventory at SGN.
6. I inquired of Mr. Herd as to the activity for the AACL inventory in SGN subsequent to January 31, 1975. He stated that the AACL invoice he received did include activity subsequent to January 31, 1975 but C&L was not asked to comment upon the transactions.

KMcC:nvg

cc: T. R. Kowalski
Working papers

ASSETS:

1975

Current assets:

Cash:

United States dollars

\$ 370,2

Other currencies

206,7

United States Government securities, at cost
(approximates market) plus accrued interest

Accounts receivable:

United States Government

3,159,8

General traffic

317,9

Company personnel

108,3

Other

952,9

4,540,2

96,5

Less, Reserve for uncollectible accounts
Receivables from sale of Air Asia Company Limited (Note 7)

Claims receivable, current portion (Note 7)

Inventories (Note 7):

Flight equipment expendable parts

734,9

Miscellaneous materials and supplies

111,3

Materials in transit

9,6

Short-term prepayments

Other current assets, principally contract
maintenance in progress

Total current assets

Claims receivable, noncurrent (Note)

Investments and special funds:

Investment in Air Asia Company Limited (Note)

2,035,1

Advanced to (owed to) Air Asia Company Limited

1,550,1

3,636,1

Investment in and advances to associated company

25,1

Other investments and receivables, at cost (Note)

4,1

United States Government securities, at cost, on deposit
as required by United States Department of Labor for
workers' compensation self-insurance

1,058,1

Property and equipment, at cost (Notes 7 and 8):

Flight equipment

22,311,1

Less, Reserves for depreciation

16,057,1

Ground property and equipment

1,533,1

Less, Reserves for depreciation

971,1

Leasehold improvements, less amortization

Construction work in progress

Equipment and rotatable parts in transit

Inventories held for disposal (Note)

Other assets

LIABILITIES:

Current liabilities:

Accounts payable:

General

Collections as agent - traffic

Collections as agent - other

Accrued liabilities:

Personnel compensation

Accrued leave, current portion

Accrued leave transportation, current portion
(Notes ? and ?)

Accrued separation benefits (Notes ? and ?)

United States and foreign income taxes

Other taxes

Aircraft fuel and oil

Employee personal effects shipments, current
portion (Notes and)

Employee personal effects claims (Note)

Accrued shipping and ferrying expenses

Other

Accrued aircraft maintenance (Note 1G)

Total current liabilities

Accrued employee personal effects shipments, noncurrent
portion (Notes and)

Estimated liability under the Longshoremen's and
Harbor Workers' Compensation Act (Note)

Deferred income taxes (Note)

Contingencies (Note)

STOCKHOLDERS' EQUITY:

Capital stock (\$10,000), no par value, and
paid-in capital in excess of declared value
of capital stock

Retained earnings, as annexed

part of the financial statements.

SEP 22 1975

CONSOLIDATED STATEMENTS of INCOME and RETAINED EARNINGS
for the fifteen months ended June 30, 1975 and the twelve months
ended March 31, 1974 (Notes 1A, 2, 3 and 4)

	<u>1975</u>	<u>1974</u>
Transport contracts		\$37,899,270
Commissions and other revenue		105,491
Rental income (principally aircraft)		<u>341,100</u>
Total operating revenues		
Operating expenses (Notes 1 and 8):		
Flying operations		
Maintenance		
Passenger servicing		
Aircraft and traffic servicing		
Promotion and sales		
General and administrative		
Depreciation and amortization		
Separation benefits (Note 4)		<u>1,275,000</u>
Income (loss) from flying operations		
Income (loss) from maintenance operations		
Operating income		(1,705,828)
Nonoperating income and (expense):		
Loss from South Vietnam evacuation (Note 5)		
Provision for loss on sale of subsidiary (Note 6)		(1,318,000)
Gain on sale of Lockheed L-100 aircraft		836,099
Gain (loss) on sale or retirement of other equipment		404,507
Reversal of maintenance reserve		
Loss on sale of U.S. Government Securities		(379,382)
Interest income		1,629,536
Other income (expense), net		<u>62,899</u>
Income (loss) before provision for income taxes		(470,169)
Provision for income taxes (Notes 7 and 8):		
United States		830,000
Foreign		<u>110,000</u>
Net income (loss)		(1,410,169)
Retained earnings, beginning of year	<u>16,847,968</u>	<u>18,258,137</u>
Less, Cash dividend		<u>16,847,968</u>
Retained earnings, end of year	<u><u>16,847,968</u></u>	<u><u>\$16,847,968</u></u>

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