

COLUMBIA ASSOCIATION, INC.
Columbia, Maryland

FINANCIAL STATEMENTS
April 30, 2011 and 2010

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6
SUPPLEMENTAL INFORMATION	18
Schedules of Summary of Operating Divisions.....	19
Schedules of Term Debt.....	20
Schedules of Risk Management Self-Insurance Trust	
Statements of Financial Position.....	21
Schedules of Risk Management Self-Insurance Trust	
Statements of Activities	22



Independent Auditor's Report

Board of Directors
Columbia Association, Inc.
Columbia, Maryland

We have audited the accompanying statements of financial position of Columbia Association, Inc. (the Association) as of April 30, 2011 and 2010, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of April 30, 2011 and 2010, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Baltimore, Maryland
July 22, 2011

*Timonium Corporate Center
9515 Deereco Road, Suite 500
Timonium, Maryland 21093*
tel: 410-453-0900
fax: 410-453-0914

www.cliftoncpa.com



FINANCIAL STATEMENTS

COLUMBIA ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
April 30, 2011 and 2010
(In Thousands)

	2011	2010
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 77	\$ 179
Accounts receivable, net of reserves for abatements and allowance for doubtful accounts of \$622 in 2011 and \$634 in 2010	14,250	13,947
Prepaid expenses and other assets	1,308	1,000
Debt service fund	957	1,229
Risk management fund	6,923	6,878
Workers' compensation fund	1,670	1,463
Property, facilities and equipment, net	100,176	95,612
Intangible assets, net	319	319
Deferred bond issuance/financing costs, net	36	60
TOTAL ASSETS	\$ 125,716	\$ 120,687
LIABILITIES AND NET ASSETS		
LIABILITIES		
Line of credit	\$ 14,755	\$ 12,328
Accrued interest	878	1,146
Accounts payable and accrued expenses	11,543	8,413
Deferred revenue	15,061	14,839
	42,237	36,726
Term debt:		
Senior secured bonds	21,415	26,933
Capital lease obligations	149	244
Term loan	3,110	4,521
Total term debt	24,674	31,698
Total liabilities	66,911	68,424
NET ASSETS		
Unrestricted	58,805	52,263
TOTAL LIABILITIES AND NET ASSETS	\$ 125,716	\$ 120,687

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

COLUMBIA ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
Years Ended April 30, 2011 and 2010
(In Thousands)

	2011	2010
REVENUES		
Service Bureaus		
Administrative:		
Property assessments	\$ 32,436	\$ 32,077
Interest income	113	161
Unrealized gain (loss) on marketable securities	17	(65)
Operations:		
Sport and fitness	24,147	23,718
Community services	3,825	3,682
Open space management	484	130
Communications and marketing	5	4
Community development and sustainability	158	-
	<u>61,185</u>	<u>59,707</u>
 Total revenues and gains	 <u>61,185</u>	 <u>59,707</u>
EXPENSES		
Service Bureaus		
Operations:		
Sport and fitness	23,360	23,855
Community services	8,844	8,465
Open space management	8,896	10,160
Communications and marketing	799	787
Community development and sustainability	1,277	-
Administrative	8,838	7,315
Interest	2,629	3,228
	<u>54,643</u>	<u>53,810</u>
 Total expenses	 <u>54,643</u>	 <u>53,810</u>
 INCREASE IN UNRESTRICTED NET ASSETS	 6,542	 5,897
 UNRESTRICTED NET ASSETS, BEGINNING OF YEAR, RESTATED	 <u>52,263</u>	 <u>46,366</u>
 UNRESTRICTED NET ASSETS, END OF YEAR	 <u>\$ 58,805</u>	 <u>\$ 52,263</u>

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

COLUMBIA ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended April 30, 2011 and 2010
(In Thousands)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in unrestricted net assets	\$ 6,542	\$ 5,897
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense and amortization	7,670	7,612
Amortization of deferred bond issuance costs	24	30
Loss on disposal of fixed assets	77	82
Loss on impairment of fixed assets	920	-
Unrealized (gain)/loss on marketable securities	(17)	65
Effects of changes in operating assets and liabilities:		
Accounts receivable	(303)	534
Prepaid expenses and other assets	(308)	48
Accrued interest	(268)	(244)
Accounts payable and accrued expenses	3,130	472
Deferred revenue	222	(595)
	<u>17,689</u>	<u>13,901</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of investments held by trustees	37	12
Purchase of property, facilities and equipment	(13,260)	(7,080)
Proceeds from the sale of equipment	29	2
	<u>(13,194)</u>	<u>(7,066)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit	2,427	(268)
Long-term debt principal payments:		
Senior secured bonds	(5,518)	(5,046)
Capital lease obligations	(95)	(93)
Term loan	(1,411)	(1,324)
	<u>(4,597)</u>	<u>(6,731)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(102)	104
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>179</u>	<u>75</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 77</u>	<u>\$ 179</u>

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

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2011 and 2010
(In Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Columbia Association, Inc. (the Association) is a nonprofit membership corporation, quasi-governmental in function, incorporated under Maryland law. It develops and operates recreation and community facilities; provides community programs and assistance; and maintains and develops park land and open space in Columbia, Maryland. The Association is governed by an eleven-member Board of Directors comprised of the Association's President and ten members elected by residents of each of the ten villages.

During the development of Columbia, the Association incurred substantial operating losses and capital outlays for property, facilities and equipment. This early activity was financed by the issuance of long-term debt. The Association's revenues from assessments and services have funded the debt service requirement since fiscal year 1985.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Association defines cash equivalents as all highly liquid investments with maturities of ninety days or less when acquired, except when such investments are held by trustees for the debt service, risk management or workers' compensation funds.

Accounts Receivable

Accounts receivable consist principally of membership fee receivables, which are uncollateralized and generally have a term of one to three years. Accounts receivable also include property assessments, which are collateralized by the resident's property.

The carrying amount of accounts receivable is reduced by a valuation allowance. The reserve for abatements and allowance for doubtful accounts is based on management's assessment of the collectability of specific member accounts and the amount of abatements residents will receive on their property assessment. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the reserves for abatements and allowance for doubtful accounts.

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2011 and 2010
(In Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments Held By Trustees

Investments held by trustees consisting of money market funds and U.S. Government mortgage bonds and treasuries are stated at fair value.

Property, Facilities and Equipment, Net

Land includes approximately 3,400 acres of land that has been contributed to the Association since the establishment of the community of Columbia and is recorded at zero value. The contributed land is subject to a zoning ordinance limiting its usage to public or community usage. Facilities, equipment and land improvements that have a limited life are stated at cost and are depreciated using the straight-line method. Construction period interest is capitalized (\$0 for the years ended April 30, 2011 and 2010) as part of the cost of the asset.

Assets	Life
Building and recreational facilities	10 to 40 years
Land improvements	20 to 25 years
Furniture, equipment and other	5 to 10 years

Costs of parks, lakes and related permanent land improvements are accounted for as land and are not depreciated because they have an indefinite useful life. Normal, recurring or periodic repair and maintenance costs are expensed as incurred.

Financial Accounting Standards Board (FASB) Interpretation No 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (FASB ASC 360-10), requires that an impairment loss be recognized only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and that the measurement of any impairment loss be the difference between the carrying amount and the fair value of the asset.

Intangible Assets

Goodwill relates to the purchase of land. The annual assessment revenue levied from this transaction exceeds the carrying amount of the goodwill and therefore no adjustment to carrying value is deemed necessary.

Deferred Bond Issuance/Financing Costs

Expenses related to the issuance of the senior secured bonds and the term loan are being amortized using the effective interest method over the term of the bonds and loan. Accumulated amortization as of April 30, 2011 and 2010 was \$1,120 and \$1,170, respectively.

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2011 and 2010
(In Thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management Fund

Under the Association's risk management program, self-insured claims for general liability risks are accrued based on the best estimate of the ultimate cost of both asserted claims and unasserted claims from reported incidents and estimated losses from unreported incidents. Such estimates are reviewed by counsel. The Association is funding the risk management program under a trust fund arrangement, which currently provides for funding as actuarially determined by independent actuaries.

Workers' Compensation Fund

The Association has a self-insurance program for workers' compensation. Under this program, the Association has a workers' compensation fund for its estimate of the ultimate cost of both asserted and unasserted claims from reported workers' compensation incidents. Claims and fund expenses are paid directly out of the workers' compensation fund. The program includes a trust deposit escrow account in the name of Maryland Workers' Compensation Commission for the benefit of the Association. The investment level of the fund will be periodically reviewed by the State of Maryland Workers' Compensation Commission and by independent actuaries.

Debt Service Fund

Under the terms of the senior secured bond agreements, the Association deposits annual charge revenues with a trustee under a sinking fund arrangement. Investments in this fund are used to pay principal and interest payments on the bonds and are invested in U.S. Governmental Securities money market funds, which are stated at fair value.

Revenue Recognition

Property assessments consist of annual charges for which future services are not required and are recognized as revenue when the annual charges are levied and due. Membership and other fees are recognized as revenue on a pro rata basis during the membership period with unearned fees recorded as deferred revenue.

Advertising

The Association uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising and promotion costs totaled \$304 and \$376 for the years ended April 30, 2011 and 2010, respectively.

Income Taxes

Although exempt from federal and state income taxes as provided for under Section 501(c)(4) of the Internal Revenue Code, the Association is subject to federal and state taxes on unrelated business income, if any. There was no unrelated business income for the years ended April 30, 2011 and 2010.

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2011 and 2010
(In Thousands)

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable are comprised of the following as of April 30:

	<u>2011</u>	<u>2010</u>
Membership fees	\$ 13,057	\$ 12,852
Annual charges	1,063	943
Other	<u>752</u>	<u>786</u>
Total accounts receivable	14,872	14,581
Less reserves for abatements and allowance for doubtful accounts	<u>622</u>	<u>634</u>
Accounts receivable, net	<u><u>\$ 14,250</u></u>	<u><u>\$ 13,947</u></u>

NOTE 3 – INVESTMENTS AND OTHER ASSETS

Risk Management Fund

Investments included in the Risk Management Fund are held by a Trustee and are combined in a portfolio which consists of the following as of April 30:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 5,585	\$ 5,585	\$ 4,667	\$ 4,667
Debt securities	1,260	1,328	2,159	2,211
Accrued interest	<u>10</u>	<u>10</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 6,855</u></u>	<u><u>\$ 6,923</u></u>	<u><u>\$ 6,826</u></u>	<u><u>\$ 6,878</u></u>

Workers' Compensation Fund

Investments included in the Workers' Compensation Fund are held by a Trustee in a portfolio which consists of the following as of April 30:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 420	\$ 420	\$ 214	\$ 214
Debt securities	<u>1,249</u>	<u>1,250</u>	<u>1,249</u>	<u>1,249</u>
Total	<u><u>\$ 1,669</u></u>	<u><u>\$ 1,670</u></u>	<u><u>\$ 1,463</u></u>	<u><u>\$ 1,463</u></u>

Debt Service Fund

Investments of \$957 in 2011 and \$1,229 in 2010 in the Debt Service Fund are held by a Trustee and consist of a U.S. Governmental Securities Money Market Fund in which the fair value approximates cost.

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2011 and 2010
(In Thousands)

NOTE 4 – FAIR VALUE MEASUREMENTS

In determining fair value, the Association uses various valuation approaches within the FASB ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

FASB ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. FASB ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

Trading and Available-for-Sale Securities

Debt securities consisting of government agency debt obligations are generally valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality and type. Debt securities are generally classified within Level 2 of the valuation hierarchy.

Interest Rate Swap Agreements

The fair value of interest rate swaps are estimated by a third party using a model that builds a yield curve from market data for activity traded securities at various times and maturities and takes into account current interest rates and the current credit worthiness of the respective counterparties. Such securities are classified within Level 2 of the valuation hierarchy.

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of April 30, 2011:

	Fair Value Measurements Using		Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Government debt securities	\$ -	\$ 2,578	\$ 2,578
Interest rate swap agreement	\$ -	\$ 3,110	\$ 3,110

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2011 and 2010
(In Thousands)

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of April 30, 2010:

	<u>Fair Value Measurements Using</u>		<u>Total</u>
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	
Government debt securities	\$ -	\$ 3,460	\$ 3,460
Interest rate swap agreement	\$ -	\$ 4,521	\$ 4,521

NOTE 5 – PROPERTY, FACILITIES AND EQUIPMENT, NET

Property, facilities and equipment consist of the following as of April 30:

	<u>2011</u>	<u>2010</u>
Land	\$ 6,533	\$ 6,533
Parks, lakes, and related improvements	10,400	10,400
Land improvements	45,667	43,930
Buildings and recreational facilities	84,277	82,740
Furniture, equipment and other	26,872	26,601
Construction-in-progress	15,292	8,163
Total property, facilities and equipment	189,041	178,367
Less accumulated depreciation	88,865	82,755
Property, facilities and equipment, net	<u>\$ 100,176</u>	<u>\$ 95,612</u>

NOTE 6 – ASSET IMPAIRMENT

The Association has evaluated the Customer Services System (CSS) software and determined that the value is impaired. The evaluation included reviewing the software that has been developed to date, as well as how other commercial off-the-shelf products will be able to meet the Association's business needs. The CSS development costs of approximately \$920 has been expensed to the Statement of Activities as of April 30, 2011. For the year ended April 30, 2010, the cost of this software was held in Construction-in-Progress.

NOTE 7 – PROPERTY ASSESSMENTS

The principal source of the Association's revenue is an annual charge, based on a rate (68 cents per \$100 of assessed valuation in both fiscal years 2011 and 2010) established annually by the Board of Directors, on all of Columbia's assessable real property. The Association's net assessed value is 50% of the State's assessed phased-in cash value subject to a 10% cap; however, the Board of Directors capped the increase at 2.5% for fiscal year 2011 and 2010.

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2011 and 2010
(In Thousands)

NOTE 7 – PROPERTY ASSESSMENTS (CONTINUED)

The net assessed value for assessment years beginning July 1 was as follows:

2010	\$	9,567,000
2009	\$	9,430,000

NOTE 8 – LINES OF CREDIT

The Association has available an unsecured line of credit with a bank, which, under a loan agreement, is limited to borrowings of \$30,000. The outstanding note bears interest at the lower of the bank's prime rate or LIBOR plus 110 basis points and is due on demand. The prime rate as of April 30, 2011 and 2010 was 3.25%. The 1-month LIBOR rate as of April 30, 2011 and 2010 was .24% and .25%, respectively. Additionally, the note bears an unused commitment fee of 25 basis points on any difference between the preauthorized schedule of the projected outstanding balance and the amount of the credit actually used. The Association had \$14,755 and \$12,328 outstanding under the line of credit as of April 30, 2011 and 2010, respectively.

The Association had \$230 in letters of credit issued through a bank as of April 30, 2011 and 2010.

NOTE 9 – TERM DEBT

Senior Secured Bonds and Fixed Rate Loan

Senior secured bonds bear interest at annual rates ranging from 6.81% to 18.65%. The weighted average rate as of April 30, 2011 and 2010 was 8.88% and 9.10%, respectively. Such bonds are secured by annual charge revenues and mature at various dates between fiscal years 2011 and 2015. The balance at April 30, 2011 and 2010 was \$21,415 and \$26,933, respectively.

Under the terms of the bond agreements, annual charge revenues are deposited with a trustee under a sinking fund arrangement as security for principal and interest payments.

The Association has a variable rate loan with Wachovia Bank N.A. in the amount of \$3,110 and \$4,521 at April 30, 2011 and 2010, respectively, which matures in fiscal year 2013. The loan is secured by a first assignment of the income stream from membership revenue.

The Association makes annual principal payments and semi-annual interest payments for the term of the loan. The interest rate is 1-month LIBOR, plus .45% per annum. The 1-month LIBOR rate as of April 30, 2011 and 2010 was .24% and .25%, respectively.

The Association simultaneously entered into an interest rate swap agreement for the purpose of converting the Association's floating rate debt with Wachovia Bank N.A. to a fixed rate. This agreement involves the exchange of floating rate interest payments for fixed rate interest payments until the swap agreement matures in fiscal 2013. The agreement changed the Association's interest rate exposure on its floating rate notes to a fixed 6.58%.

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2011 and 2010
(In Thousands)

NOTE 9 – TERM DEBT (CONTINUED)

The Association had an outstanding notational amount of \$3,110 and \$4,521 on this swap agreement as of April 30, 2011 and 2010, respectively.

Aggregate maturities of the Association's senior secured bonds and term loan as of April 30, 2011 are as follows:

2012	\$	6,913
2013		6,239
2014		4,566
2015		4,777
2016		<u>2,030</u>
Total	\$	<u>24,525</u>

Capital Lease Obligation

The cost and accumulated amortization of equipment under capital leases were \$558 and \$502, respectively, as of April 30, 2011, and were \$558 and \$390, respectively, as of April 30, 2010. The Association did not enter into any new capital lease obligations during the years ended April 30, 2011 and 2010.

As of April 30, 2011, the future minimum annual payments under capital leases are as follows:

2012	\$	97
2013		55
Less: amount representing interest		<u>(3)</u>
Total	\$	<u>149</u>

Cash paid for interest by the Association on all debt was \$2,872 and \$3,442 for the years ended April 30, 2011 and 2010, respectively.

NOTE 10 – RETIREMENT BENEFIT PLAN

Substantially all full-time and eligible part-time employees are covered by a defined contribution retirement benefit plan. Contributions are based on 6% of eligible employees' salaries. Previously, employees became fully vested in the plan after seven years of service. Effective January 1, 2007, employees become fully vested after six years of service. Expenses under this plan were \$932 and \$809 for the years ended April 30, 2011 and 2010, respectively.

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2011 and 2010
(In Thousands)

NOTE 11 – COMMITMENTS

The Association leases certain facilities and equipment under operating leases. Under the terms of the leases of the facilities, the Association is required to pay insurance, taxes, maintenance and other occupancy costs. Rental expense, exclusive of these costs, was \$802 and \$871 for the years ended April 30, 2011 and 2010, respectively.

As of April 30, 2011, the Association's total commitment for minimum annual rentals, exclusive of maintenance and other occupancy costs, under non-cancellable operating leases is:

2012	\$	619
2013		579
2014		558
2015		575
2016		<u>194</u>
Total	\$	<u>2,525</u>

The lease for the headquarters building includes a rent abatement for the period September 1, 2010 to February 28, 2011 valued at \$249. Accrued abatement of \$240 is included in the accrued expenses as of April 30, 2011. The abatement is amortized over the life of the lease and is reflected as a reduction of rent expense as reported in the Statements of Activities.

NOTE 12 – POSTRETIREMENT HEALTH CARE

The Association sponsors a defined postretirement medical benefit plan that covers both salaried and non-salaried full-time employees and their spouses or surviving spouses. The postretirement health care plan is contributory. The Association will provide a maximum contribution of \$2,500 to retired employees and their spouses for employees who have 20 or more years of full-time service with the Association and have passed their 60th birthday. This contribution will decrease to a maximum of \$1,500 when the retiree reaches age 65. This benefit terminates on the 10th anniversary of the benefit commencement date. The employee contributes the remainder of the health care cost.

The following table sets forth the funded status of the Association's postretirement health care benefit plan reconciled to the accrued postretirement benefits cost recognized by the Association as of April 30:

	<u>2011</u>	<u>2010</u>
Reconciliation of benefit obligations:		
Obligation at beginning of year	\$ 442	\$ 402
Service cost	21	19
Interest cost	23	24
Actuarial gain	(14)	-
Benefit payments	<u>(2)</u>	<u>(3)</u>
Obligation at end of year	<u>\$ 470</u>	<u>\$ 442</u>

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2011 and 2010
(In Thousands)

NOTE 12 – POSTRETIREMENT HEALTH CARE (CONTINUED)

	<u>2011</u>	<u>2010</u>
Amount not recognized in net periodic postretirement benefit cost:		
Unrecognized prior service cost (credit)	\$ (23)	\$ 17
Unrecognized gain (loss)	<u>39</u>	<u>(17)</u>
Total amount recognized in net periodic postretirement benefit costs	<u>\$ 16</u>	<u>\$ -</u>
Net periodic postretirement benefit costs include:		
Service cost	\$ 21	\$ 19
Interest cost	23	24
Amortization of unrecognized prior service cost	<u>1</u>	<u>-</u>
Net periodic postretirement benefit cost	<u>\$ 45</u>	<u>\$ 43</u>

The discount rate was 5.6% and 6.0% as of April 30, 2011 and 2010, respectively. The gross trend rate for health care coverage is 10.0% grading to 4.6% over 5 years.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percent change in assumed health care cost trend rates would have the following effects:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total service and interest cost components of net periodic postretirement health care benefit cost	\$ 6	\$ (6)
Effect on the health care component of the accumulated postretirement benefit obligation	62	(54)

NOTE 13 – SIGNIFICANT ESTIMATES

Reserve for General Liability Self-insurance

Under its general liability self-insurance plan, the Association accrues the estimated expense of general liability claims based on claims filed subsequent to year-end and an additional amount for incurred, but not yet reported claims based on prior experience. Accruals for such costs of \$1,146 and \$1,152 are included in accrued expenses at April 30, 2011 and 2010, respectively. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2011 and 2010
(In Thousands)

NOTE 13 – SIGNIFICANT ESTIMATES (CONTINUED)

Reserve for Workers’ Compensation Self-insurance

Under its workers’ compensation self-insurance plan, the Association accrues the estimated expense of workers’ compensation claims based on claims filed subsequent to year-end and an additional amount for incurred, but not yet reported claims based on prior experience. Accruals for such costs of \$1,519 and \$1,276 are included in accrued expenses at April 30, 2011 and 2010, respectively. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

NOTE 14 – INCOME TAXES

The Association adopted the guidance provided *Accounting for Uncertainty in Income Taxes* (FASB ASC 740-10), on January 1, 2009. Management has determined that the Association has no material uncertain tax positions that would require recognition under the guidance. The federal and state income tax returns of the Association for 2010, 2009 and 2008 are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

NOTE 15 – RECLASSIFICATIONS

Certain amounts in the 2010 financial statements have been reclassified to be in conformity with the presentation in the 2011 financial statements. The expenses associated with the Community Development and Sustainability Service Bureau are included in Open Space Management for the year ended April 30, 2010.

NOTE 16 – PRIOR PERIOD ADJUSTMENT

The April 30, 2009 financial statements were restated to correct an error in accounting for improvements to buildings and recreational facilities. The effect of this restatement is as follows:

Unrestricted net assets as of April 30, 2009, before restatement	\$ 47,370
Prior period adjustment	<u>(1,004)</u>
Unrestricted net assets as of April 30, 2009, restated	<u>\$ 46,366</u>

NOTE 17 – CONTINGENCIES

The Association is periodically a party to various lawsuits, claims and investigations, both actual and potential arising in the normal course of business. Based on internal review and advice of legal counsel, management believes the ultimate outcome of these matters, individually and in the aggregate, will not have a material adverse effect on the Association’s financial position or results of operations.

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2011 and 2010
(In Thousands)

NOTE 17 – CONTINGENCIES (CONTINUED)

The Association is a defendant in litigation with a vendor. The vendor claims breach of contract and is claiming approximately \$1,000,000 in damages to date. The Association intends to vigorously defend against this claim and is preparing counter claims to recover liquidated damages from the vendor. The matter is currently being stayed while the parties are involved in mediation. No amounts have been accrued in the financial statements related to this matter.

NOTE 18 – SUBSEQUENT EVENTS

Management evaluated subsequent events through July 22, 2011, the date the financial statements were available to be issued. Events or transactions occurring after April 30, 2011, but prior to July 22, 2011 that provided additional evidence about conditions that existed at April 30, 2011, have been recognized in the consolidated financial statements for the year ended April 30, 2011. Events or transactions that provided evidence about conditions that did not exist at April 30, 2011 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended April 30, 2011.

SUPPLEMENTAL INFORMATION

COLUMBIA ASSOCIATION, INC.
SCHEDULES OF SUMMARY OF OPERATING DIVISIONS
Years Ended April 30, 2011 and 2010
(In Thousands)

	Total Operating Divisions		Sports and Fitness		Communications and Marketing		Community Services		Open Space Management		Comm Dev and Sustainability	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
OPERATING REVENUES												
Memberships	\$ 16,836	\$ 16,347	\$ 16,836	\$ 16,347	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees	5,181	5,169	5,076	5,153	-	-	26	2	79	14	-	-
Rentals	1,647	1,618	1,422	1,416	1	1	95	91	129	110	-	-
Tuition and enrollment	3,592	3,463	2	-	-	-	3,590	3,463	-	-	-	-
Other	1,363	937	811	802	4	3	114	126	276	6	158	-
Total operating revenues	28,619	27,534	24,147	23,718	5	4	3,825	3,682	484	130	158	-
OPERATING EXPENSES												
Salaries, payroll taxes and benefits	19,738	19,944	10,707	11,037	1,421	1,390	3,299	3,137	3,436	4,380	875	-
Cost of goods sold	647	716	628	698	-	-	19	18	-	-	-	-
Taxes	651	645	592	583	2	2	38	41	19	19	-	-
Repairs and maintenance	3,876	4,008	1,976	2,120	17	19	530	434	1,254	1,435	99	-
Operating supplies	3,835	3,621	1,753	1,777	779	793	772	586	433	465	98	-
Insurance	370	412	156	176	-	-	44	48	167	188	3	-
Utilities	2,160	2,073	1,967	1,881	15	16	95	84	67	92	16	-
Rentals	633	685	122	131	96	105	170	176	239	273	6	-
Fees	1,847	1,848	397	367	371	290	560	616	339	575	180	-
Allocation of selling expenses	-	-	1,916	1,840	(1,916)	(1,840)	-	-	-	-	-	-
Grants to community services	2,401	2,358	-	-	-	-	2,401	2,358	-	-	-	-
Total operating expenses	36,158	36,310	20,214	20,610	785	775	7,928	7,498	5,954	7,427	1,277	-
Net from operations	(7,539)	(8,776)	3,933	3,108	(780)	(771)	(4,103)	(3,816)	(5,470)	(7,297)	(1,119)	-
Depreciation expense	7,018	6,957	3,146	3,245	14	12	916	967	2,942	2,733	-	-
NET INCREASE (DECREASE) IN NET ASSETS BEFORE ADMIN AND INTEREST EXPENSE												
	\$ (14,557)	\$ (15,733)	\$ 787	\$ (137)	\$ (794)	\$ (783)	\$ (5,019)	\$ (4,783)	\$ (8,412)	\$ (10,030)	\$ (1,119)	-

COLUMBIA ASSOCIATION, INC.
SCHEDULES OF TERM DEBT
Years Ended April 30, 2011 and 2010
(In Thousands)

	<u>2011</u>	<u>2010</u>	<u>Initial Fiscal Year of Principal Payment</u>	<u>Current Principal and Interest Requirements</u>	<u>Final Fiscal Year of Payment</u>
Senior secured bonds:					
Series I - 14.25	\$ -	\$ 309	1986	\$ -	-
Series J - 15.25	-	136	1986	-	-
Series L - 18.65	315	580	1987	374	2012
Series M - 14.375	753	1,060	1988	459	2013
Series N - 13.25	692	865	1987	265	2015
Series P - 11.50	829	986	1991	270	2015
Series Q - 9.65	3,425	4,101	1991	1,073	2015
Series R - 9.65	5,191	6,217	1992	1,625	2015
Series U - 8.45	1,269	2,277	1995	1,076	2013
Series V - 6.81	<u>8,941</u>	<u>10,402</u>	2001	2,170	2016
Total bonds	21,415	26,933			
Term loan	3,110	4,521			
Capital lease obligations	<u>149</u>	<u>244</u>			
TOTAL	<u>\$ 24,674</u>	<u>\$ 31,698</u>			

COLUMBIA ASSOCIATION, INC.
SCHEDULES OF RISK MANAGEMENT SELF-INSURANCE TRUST
STATEMENTS OF FINANCIAL POSITION
April 30, 2011 and 2010
(In Thousands)

	2011	2010
ASSETS		
Cash equivalents	\$ 5,585	\$ 4,671
Investments, primarily U.S. government securities	1,328	2,207
Accrued interest receivable	10	-
TOTAL ASSETS	\$ 6,923	\$ 6,878
LIABILITIES AND FUND BALANCE		
Estimated claims payable	\$ 1,146	\$ 1,152
Net assets	5,777	5,726
TOTAL LIABILITIES AND FUND BALANCE	\$ 6,923	\$ 6,878

Note: The Association is funding the self-insurance trust of the risk management program under a trust fund arrangement, which requires funding based on an actuarial analysis prepared by outside actuaries. Currently, funding is based on a maximum of \$1,000,000 per claim assumption and a 75% confidence level of expected losses. In addition, the Association obtained an excess liability policy for all claims in excess of \$1,000,000 to a maximum liability of \$10,000,000.

COLUMBIA ASSOCIATION, INC.
SCHEDULES OF RISK MANAGEMENT SELF-INSURANCE TRUST
STATEMENTS OF ACTIVITIES
Years Ended April 30, 2011 and 2010
(In Thousands)

	2011	2010
REVENUES		
Interest	\$ 70	\$ 104
Unrealized gain (loss) on marketable securities	17	(65)
Total revenues	87	39
EXPENSES		
Claims	1	11
Administrative	35	32
Total expenses	36	43
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	51	(4)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	5,726	5,730
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 5,777	\$ 5,726