

Columbia Association, Inc.
Financial Statements and
Independent Auditor's Report
April 30, 2013 and 2012

Columbia Association, Inc.

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Independent Auditor's Report

To The Board of Directors
Columbia Association, Inc.

Report on the Financial Statements

We have audited the accompanying statement of financial position of Columbia Association, Inc. as of April 30, 2013, and the related statements of activities 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. 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 Columbia Association, Inc. as of April 30, 2013, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Columbia Association, Inc. as of April 30, 2012, were audited by other auditors whose report dated July 25, 2012, expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented on pages 24 through 26 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information as of and for the year ended April 30, 2013, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The information as of and for the year ended April 30, 2012, was audited by other auditors whose report dated July 25, 2012, expressed an unmodified opinion on those statements.



Baltimore, Maryland
July 26, 2013

Columbia Association, Inc.
Statements of Financial Position

April 30, 2013 and 2012
(in Thousands)

<u>Assets</u>		
	2013	2012
Cash and cash equivalents	\$ 113	\$ 74
Accounts receivable, net	13,058	15,292
Prepaid expenses and other assets	1,418	1,456
Debt service fund	480	692
Risk management fund	6,580	6,772
Workers' compensation fund	2,322	1,955
Property, facilities and equipment, net	104,643	100,972
Intangible assets, net	319	319
Deferred bond issuance/financing costs, net	8	19
	\$ 128,941	\$ 127,551
 <u>Liabilities and Net Assets</u>		
Liabilities		
Line of credit	\$ 21,434	\$ 16,838
Accrued interest	398	620
Accounts payable and accrued expenses	12,347	10,818
Deferred revenue	13,373	15,895
	47,552	44,171
Term Debt		
Senior secured bonds	11,373	16,005
Term loan	-	1,607
Capital lease obligations	484	54
	11,857	17,666
Total term debt	11,857	17,666
Total liabilities	59,409	61,837
Net assets		
Unrestricted	69,532	65,714
	69,532	65,714
Total net assets	69,532	65,714
Total liabilities and net assets	\$ 128,941	\$ 127,551

See notes to financial statements

Columbia Association, Inc.

Statements of Activities

**Years ended April 30, 2013 and 2012
(in Thousands)**

	<u>2013</u>	<u>2012</u>
Revenue		
Service bureaus		
Administrative		
Property assessments	\$ 34,005	\$ 33,449
Interest income and other	132	(96)
Unrealized loss on marketable securities	(59)	-
Operations		
Sport and fitness	24,983	24,832
Community services	3,897	3,844
Open space management	625	526
Sales and marketing	2	8
Community building and sustainability	239	-
	<u>63,824</u>	<u>62,563</u>
Expenses		
Service bureaus		
Operations		
Sport and fitness	25,155	24,286
Community services	11,509	9,281
Open space management	10,157	9,464
Sales and marketing	214	199
Community building and sustainability	845	1,404
Administrative	10,670	8,981
Interest	1,456	2,039
	<u>60,006</u>	<u>55,654</u>
Increase in unrestricted net assets	3,818	6,909
Unrestricted net assets, beginning of year	<u>65,714</u>	<u>58,805</u>
Unrestricted net assets, end of year	<u>\$ 69,532</u>	<u>\$ 65,714</u>

See notes to financial statements

Columbia Association, Inc.

Statements of Cash Flows

**Years ended April 30, 2013 and 2012
(in Thousands)**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Increase in unrestricted net assets	\$ 3,818	\$ 6,909
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities		
Depreciation expense and amortization	8,312	7,510
Amortization of deferred bond issuance costs	11	17
(Gain) loss on disposal of fixed assets	(3)	129
Loss on impairment of fixed assets	-	77
Unrealized loss on marketable securities	59	-
Changes in operating assets and liabilities		
Accounts receivable	2,234	(1,042)
Prepaid expenses and other assets	38	(148)
Accrued interest	(222)	(258)
Accounts payable and accrued expenses	1,529	(725)
Deferred revenue	(2,522)	834
	<u>13,254</u>	<u>13,303</u>
Cash flows from investing activities		
Net purchases of investments held by trustees	(22)	131
Purchase of property, facilities and equipment	(11,474)	(8,586)
Proceeds from the sale of equipment	48	74
	<u>(11,448)</u>	<u>(8,381)</u>
Cash flows from financing activities		
Line of credit	4,596	2,083
Long-term debt principal payments		
Senior secured bonds	(4,632)	(5,410)
Capital lease obligations	(124)	(95)
Term loan	(1,607)	(1,503)
	<u>(1,767)</u>	<u>(4,925)</u>
Net cash used in financing activities	<u>(1,767)</u>	<u>(4,925)</u>
Net increase (decrease) in cash and cash equivalents	39	(3)
Cash and cash equivalents, beginning	<u>74</u>	<u>77</u>
Cash and cash equivalents, end	<u>\$ 113</u>	<u>\$ 74</u>
Supplemental disclosure of noncash investing and financing activities		
Accounts payable - purchase of property, facilities and equipment	<u>\$ -</u>	<u>\$ 1,226</u>
Assets acquired under capital leases	<u>\$ 554</u>	<u>\$ -</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 1,689</u>	<u>\$ 2,280</u>

See notes to financial statements

Columbia Association, Inc.
Notes to Financial Statements

April 30, 2013 and 2012
(in Thousands)

Note 1 - Organization and 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 fees receivable, which are uncollateralized and generally have a term of one to three quarters. Accounts receivable also include property assessments, which are collateralized by the resident's property.

Columbia Association, Inc.

Notes to Financial Statements - Continued

April 30, 2013 and 2012
(in Thousands)

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.

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.

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.

<u>Assets</u>	<u>Estimated Useful Lives</u>
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.

Columbia Association, Inc.

Notes to Financial Statements - Continued

April 30, 2013 and 2012
(in Thousands)

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. Impairment losses of \$0 and \$77 have been recognized during the years ended April 30, 2013 and 2012, respectively.

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, 2013 and 2012 was \$1,030 and \$1,028, respectively. Estimated amortization for each of the ensuing years through April 30, 2016 is as follows:

2014	\$	6
2015		1
2016		1

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

Columbia Association, Inc.

Notes to Financial Statements - Continued

April 30, 2013 and 2012
(in Thousands)

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.

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.

Rental Expense

Rental expense is recognized over the lease terms as it becomes payable according to the provisions of the respective leases. However, if the rental expense varies from a straight-line basis, future rental expense including scheduled and specific rent increase and/or rent concession are recognized on a straight-line basis over the lease terms.

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 \$455 and \$395 for the years ended April 30, 2013 and 2012, 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.

The Association adopted the guidance provided *Accounting for Uncertainty in Income Taxes* (FASB ASC 740-10), on April 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 the tax periods ending April 30, 2011, 2012 and 2013 are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed. During the years ended April 30, 2013 and 2012, there was no unrelated business income.

Columbia Association, Inc.

Notes to Financial Statements - Continued

**April 30, 2013 and 2012
(in Thousands)**

Note 2 - Accounts Receivable

Accounts receivable are comprised of the following as of April 30, 2013 and 2012:

	2013	2012
Membership fees	\$ 13,300	\$ 13,770
Annual charges	1,232	1,191
Other	426	1,235
Total accounts receivable	14,958	16,196
Less reserves for abatements and allowance for doubtful accounts	1,900	904
	\$ 13,058	\$ 15,292

Note 3 - Investments and Other Assets

Debt Service Fund

Investments of \$480 in 2013 and \$692 in 2012 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.

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, 2013 and 2012:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 30	\$ 30	\$ 45	\$ 45
Government debt securities	6,570	6,547	6,632	6,669
Accrued interest	3	3	58	58
	\$ 6,603	\$ 6,580	\$ 6,735	\$ 6,772

Columbia Association, Inc.

Notes to Financial Statements - Continued

April 30, 2013 and 2012
(in Thousands)

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, 2013 and 2012:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 388	\$ 388	\$ 396	\$ 396
Government debt securities	1,934	1,934	1,560	1,559
	<u>\$ 2,322</u>	<u>\$ 2,322</u>	<u>\$ 1,956</u>	<u>\$ 1,955</u>

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.

Columbia Association, Inc.

Notes to Financial Statements - Continued

April 30, 2013 and 2012
(in Thousands)

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 measured at fair value by classification within the fair value hierarchy as of April 30, 2013:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Government debt securities	\$ -	\$ 8,484	\$ 8,484

Columbia Association, Inc.

Notes to Financial Statements - Continued

**April 30, 2013 and 2012
(in Thousands)**

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of April 30, 2012:

	Fair Value Measurements Using		Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Government debt securities	\$ -	\$ 8,286	\$ 8,286
Interest rate swap agreement	\$ -	\$ 1,607	\$ 1,607

Note 5 - Property, Facilities and Equipment, Net

Property, facilities and equipment consist of the following as of April 30, 2013 and 2012:

	2013	2012
Land	\$ 6,533	\$ 6,533
Parks, lakes and related improvements	10,400	10,400
Land improvements	48,354	49,859
Buildings and recreation facilities	87,295	85,101
Furniture, equipment and other	29,511	27,670
Construction-in-progress	22,461	17,217
Total property, facilities and equipment	204,554	196,780
Less accumulated depreciation	99,911	95,808
Property, facilities and equipment, net	\$ 104,643	\$ 100,972

Note 6 - Construction Contract

The Association entered into a construction contract with JND Thomas Co., Inc, an unrelated party, related to lake dredging in the amount of \$3,019. As of April 30, 2013, \$3,019 of the contract has been incurred, of which \$119 remains payable.

Columbia Association, Inc.

Notes to Financial Statements - Continued

April 30, 2013 and 2012
(in Thousands)

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 2013 and 2012) 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 2013 and 2012.

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

2013	\$ 9,905,127
2012	9,766,204

Note 8 - Line of Credit

The Association has available an unsecured line of credit with a bank, which, under a loan agreement, is limited to borrowings of \$45,000. The outstanding note bears interest at the lower of the bank's prime rate or LIBOR plus 95 basis points (0.20 and 0.24% as of April 30, 2013 and 2012, respectively) and is due on demand. Additionally, the note bears an unused commitment fee of 15 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 \$21,434 and \$16,838 outstanding under the line of credit as of April 30, 2013 and 2012, respectively.

The Association had \$230 in letters of credit issued through a bank as of April 30, 2013 and 2012, respectively, none of which has been drawn upon.

Note 9 - Term Debt

Senior Secured Bonds

Senior secured bonds bear interest at annual rates ranging from 6.81% to 14.375%. The weighted average rate as of April 30, 2013 and 2012 was 8.39% and 8.63%, respectively. Such bonds are secured by annual charge revenue and mature at various dates between fiscal years 2013 and 2015. The balance at April 30, 2013 and 2012 was \$11,373 and \$16,005, 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.

Columbia Association, Inc.

Notes to Financial Statements - Continued

April 30, 2013 and 2012
(in Thousands)

Aggregate maturities of the Association's senior secured bonds as of April 30, 2013 are as follows:

2014	\$	4,566
2015		4,777
2016		<u>2,030</u>
Total	\$	<u>11,373</u>

Term Loan

The Association had a variable rate loan with Wachovia Bank N.A. in the amount of \$1,607 at April 30, 2012, which matured in fiscal year 2013. The loan was secured by a first assignment of the income stream from membership revenue.

The Association made annual principal payments and semi-annual interest payments for the term of the loan. The interest rate is 1-month LIBOR, plus 0.45% per annum (0.24% as of April 30, 2012).

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 matured in fiscal 2013. The agreement changed the Association's interest rate exposure on its floating rate notes to a fixed 6.58%. The Association had an outstanding notational amount of \$1,607 on this swap agreement as of April 30, 2012.

Capital Lease Obligation

The cost and accumulated amortization of equipment under capital leases were \$1,112 and \$613, respectively, as of April 30, 2013, and both were \$558 as of April 30, 2012.

Columbia Association, Inc.

Notes to Financial Statements - Continued

April 30, 2013 and 2012
(in Thousands)

As of April 30, 2013, the future minimum annual payments under capital leases are as follows:

2014	\$	142
2015		142
2016		142
2017		<u>70</u>
Total minimum lease payments		496
Less: amount representing interest		<u>(12)</u>
Present value of net minimum lease payments	\$	<u><u>484</u></u>

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 April 1, 2007, employees become fully vested after six years of service. Expenses under this plan were \$1,021 and \$913 for the years ended April 30, 2013 and 2012, respectively.

Note 11 - Commitments

The Association leases certain facilities and equipment under operating leases. Rental expense, exclusive of these costs, was \$793 and \$752 for the years ended April 30, 2013 and 2012, respectively.

As of April 30, 2013, the Association's total commitment for minimum annual rentals, exclusive of maintenance and other occupancy costs, under noncancellable operating leases are:

2014	\$	667
2015		1,074
2016		1,007
2017		805
2018 and thereafter		<u>6,890</u>
Total	\$	<u><u>10,443</u></u>

Columbia Association, Inc.

Notes to Financial Statements - Continued

April 30, 2013 and 2012
(in Thousands)

The lease for the headquarters building includes a rent abatement for the period September 1, 2011 to February 28, 2012 valued at \$249. Accrued abatements of \$129 and \$184 were included in the accrued expenses as of April 30, 2013 and 2012, respectively. The lease for the IT offices also includes rent abatement for the period August 1, 2012 to January 31, 2013 valued at \$10. The lease for the new fitness center includes rent abatement for the period March 1, 2014 to February 28, 2015 valued at \$386. The abatements are amortized over the life of the lease and is reflected as a reduction of rent expense as reported in the Statements of Activities.

In 2013, the Association committed \$1,600 to the Inner Arbor Corporation. For the year ended April 30, 2013, the Association recognized an expense in the amount of \$1,600, all of which remains unpaid as of April 30, 2013 and is included accounts payable and accrued expenses in the Statements of Financial Position. Subsequent to year end, the Association has funded \$450 of the \$1,600 commitment.

Note 12 - Postretirement Health Care

The Association sponsors a defined postretirement medical benefit plan that covers both salaried and nonsalaried full-time employees and their spouses or surviving spouses. The postretirement health care plan is contributory. The Association will provide a maximum contribution of \$2.5 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 \$1.5 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>2013</u>	<u>2012</u>
Reconciliation of benefit obligations		
Obligation at beginning of year	\$ 519	\$ 470
Service cost	26	25
Interest cost	25	27
Actuarial gain	4	-
Benefit payments	<u>(3)</u>	<u>(3)</u>
Obligation at end of year	<u>\$ 571</u>	<u>\$ 519</u>

Columbia Association, Inc.

Notes to Financial Statements - Continued

**April 30, 2013 and 2012
(in Thousands)**

	<u>2013</u>	<u>2012</u>
Amount not recognized in net period postretirement benefit cost:		
Unrecognized prior service credit	\$ (21)	\$ (22)
Unrecognized gain	<u>39</u>	<u>39</u>
Total amount recognized in net periodic postretirement benefit costs	<u>\$ 18</u>	<u>\$ 17</u>
Net periodic postretirement benefit costs include:		
Service cost	\$ 26	\$ 25
Interest cost	25	27
Amortization of unrecognized prior service cost	<u>1</u>	<u>1</u>
Net periodic postretirement benefit cost	<u>\$ 52</u>	<u>\$ 53</u>

The discount rate was 5.6% and 5.6% as of April 30, 2013 and 2012, respectively. The gross trend rate for health care coverage is 10.0% grading to 4.6% over five 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	\$ 8	\$ (7)
Effect on the health care component of the accumulated postretirement benefit obligation	76	(66)

Columbia Association, Inc.

Notes to Financial Statements - Continued

April 30, 2013 and 2012
(in Thousands)

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 \$1,336 and \$1,183 are included in accrued expenses as of April 30, 2013 and 2012, respectively. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

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 \$1,670 and \$1,781 are included in accrued expenses as of April 30, 2013 and 2012, respectively. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

Note 14 - Concentration of Credit Risk

The Association maintains its cash balance in several accounts in various banks. At times, these balances may exceed the federal insurance limits; however, the Association has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of April 30, 2013.

Note 15 - 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 - Continued

**April 30, 2013 and 2012
(in Thousands)**

Note 16 - Subsequent Events

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Association through July 26, 2013 (the date the financial statements are available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

Columbia Association, Inc.

Supplementary Information

Schedule of Term Debt

**April 30, 2013 and 2012
(in Thousands)**

	<u>2013</u>	<u>2012</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 M - 14.375	\$ -	\$ 402	1988	-	2013
Series N - 13.25	346	519	1987	219	2015
Series P - 11.50	460	654	1991	271	2015
Series Q - 9.65	1,870	2,683	1991	1,072	2015
Series R - 9.65	2,834	4,067	1992	1,625	2015
Series U - 8.45	150	300	1995	163	2014
Series V - 6.81	<u>5,713</u>	<u>7,380</u>	2001	2,170	2016
Total bonds	11,373	16,005			
Term loan	-	1,607			
Capital lease obligations	<u>484</u>	<u>54</u>			
Total	<u>\$ 11,857</u>	<u>\$ 17,666</u>			

Columbia Association, Inc.
Supplementary Information - Continued
Risk Management Self-Insurance Trust
Statements of Financial Position
Years ended April 30, 2013 and 2012
(in Thousands)

	2013	2012
Assets		
Cash equivalents	\$ 30	\$ 45
Investments, primarily U.S. government securities	6,547	6,669
Accrued interest receivable	3	58
Total assets	\$ 6,580	\$ 6,772
Liabilities and Fund balance		
Estimated claims payable	\$ 1,336	\$ 1,183
Net assets	5,244	5,589
Total liabilities and fund balance	\$ 6,580	\$ 6,772

Columbia Association, Inc.
Supplementary Information - Continued
Risk Management Self-Insurance Trust
Statements of Activities
Years ended April 30, 2013 and 2012
(in Thousands)

	<u>2013</u>	<u>2012</u>
Revenue		
Interest	\$ 45	\$ 117
Total revenues	<u>45</u>	<u>117</u>
Expenses		
Claims	300	252
Unrealized loss on marketable securities	60	32
Administrative	<u>30</u>	<u>21</u>
Total expenses	<u>390</u>	<u>305</u>
Decrease in unrestricted net assets	(345)	(188)
Unrestricted net assets, beginning of year	<u>5,589</u>	<u>5,777</u>
Unrestricted net assets, end of year	<u><u>\$ 5,244</u></u>	<u><u>\$ 5,589</u></u>