Columbia Association

July 27, 2015

MINUTES
AUDIT COMMITTEE MEETING
Held: Wednesday, July 22, 2015

Participants: Gregg Schwind, Audit Committee Chair
Nancy McCord, Board of Directors
Andrew Stack, Board of Directors
Edward Berman, Audit Committee
James Young, Audit Committee
Milton W. Matthews, President /CEO
Jackie Tuma, Chief Staff Liaison and Director of Internal Audit

Also present: Daniel Kenney, Partner, CohnReznick
Karin Lundquist, Senior Manager, CohnReznick
Lee Brody, Manager, CohnReznick
Susan Krabbe, Vice President/Chief Financial Officer
Paul Papagjika, Treasurer

The meeting was called to order by Mr. Schwind at 7:32 p.m.

Ms. McCord moved to approve the agendas and Mr. Young seconded. A request was made to add “Ethics” to the closed agenda as item 4A. The agendas were approved as amended with a vote of 5-0-0.

For:	Ms. McCord and Messrs. Schwind, Stack, Berman and Young
Against:	None
Abstain:	None

Ms. McCord moved to approve the draft minutes from the June 24, 2015 meeting and Mr. Young seconded. The minutes were approved as presented with a vote of 4-0-1.

For:	Ms. McCord and Messrs. Stack, Berman and Young
Against:	None
Abstain:	Mr. Schwind (did not attend meeting on 6/24/15)

Mr. Kenney, Ms. Lundquist, and Mr. Brody presented the draft audited financial statements for the year ended April 30, 2015 for Columbia Association, Inc. They also presented the draft audited financial statements for the year ended December 31, 2014 for the Columbia Association, Inc. Incentive Savings Plan and Trust. The independent auditor’s report, statements and footnotes were reviewed, notable line items and changes from the prior year were discussed, and questions were answered. Mr. Kenney explained that the Independent Auditor's Reports state that in their opinion, the financial statements are presented fairly in all material respects.

At 8:07 p.m., Mr. Stack moved to close the meeting pursuant to HOA Section 11B-111.(4)(i, iv) to discuss CohnReznick's review of internal controls and other communication with Internal Audit. Mr. Young seconded the motion which passed with a vote of 5-0-0.

For:	Ms. McCord and Messrs. Schwind, Stack, Berman and Young
Against:	None
Abstain:	None

The meeting continued in closed session.

At 9:15 p.m. the open meeting reconvened.

Mr. Stack moved to provide the independent audit reports of CA's financial statements for FY15 to the Board of Directors. Ms. McCord seconded the motion, and it passed 5-0-0.

For:	Ms. McCord and Messrs. Schwind, Stack, Berman and Young
Against:	None
Abstain:	None

Mr. Stack moved to provide the independent audit reports of CA's Incentive Savings Plan and Trust for the calendar year 2014 to the Board of Directors. Mr. Young seconded the motion, and it passed 5-0-0.

For:	Ms. McCord and Messrs. Schwind, Stack, Berman and Young
Against:	None
Abstain:	None

The committee tracking form was briefly reviewed. There were no outstanding items.

The Audit Committee Charter and Office of Internal Audit Mission Statement and Charter were reauthorized.

At 9:21 p.m., the meeting was adjourned by unanimous consent.

July 7, 2015

MINUTES
AUDIT COMMITTEE MEETING
Held: Wednesday, June 24, 2015

Participants:	Reginald Avery, Audit Committee
	Nancy McCord, Board of Directors
	Andrew Stack, Board of Directors
	Edward Berman, Audit Committee
	James Young, Audit Committee
	Milton W. Matthews, President /CEO
	Jackie Tuma, Chief Staff Liaison and Director of Internal Audit

Ms. Tuma called the meeting to order at 7:33pm.

Mr. Avery moved to approve the agenda and Ms. McCord seconded. The agenda was approved with a vote of 5-0-0.

For:	Ms. McCord and Messrs. Avery, Stack, Berman and Young
Against:	None
Abstain:	None

Mr. Avery moved to approve the draft minutes from the March 11, 2015 meeting and Ms. McCord seconded. The minutes were approved as presented with a vote of 1-0-4.

For:	Mr. Avery
Against:	None
Abstain:	Ms. McCord and Messrs. Stack, Berman and Young (did not attend meeting on 3/11/15)

Ms. Susan Krabbe, Chief Financial Officer, presented the FY15 fourth quarter Financial Report. Staff responded to questions from the committee. She informed the committee that there may be an adjustment to record additional depreciation expense. Mr. Young requested that the committee be provided copies of the organization charts that were effective before and after the most recent reorganization.

Mr. Avery moved to provide the FY15 fourth quarter Financial Report to the Board of Directors, noting that additional depreciation expense may be recorded. Ms. McCord seconded. The motion passed with a vote of 5-0-0.

For:	Ms. McCord and Messrs. Avery, Stack, Berman and Young
Against:	None
Abstain:	None

Mr. Stack moved to nominate Mr. Schwind as Chair and Mr. Avery as Vice Chair of the Audit Committee for FY16. Mr. Avery seconded the motion, and it passed with a vote of 5-0-0.

For:	Ms. McCord and Messrs. Avery, Stack, Berman and Young
Against:	None
Abstain:	None

The committee reviewed the draft Audit Committee Charter and Office of Internal Audit Mission Statement and Charter (both with proposed revisions). Mr. Berman requested modifications to the Office of Internal Audit Mission Statement and Charter to expand the description of Internal Audit's independence.

Ms. McCord moved to recommend to the Board of Directors that it approve the revised Audit Committee Charter and the revised Office of Internal Audit Mission Statement and Charter (with additional description of Internal Audit's independence) and Mr. Young seconded. The motion passed with a vote of 5-0-0.

For:	Ms. McCord and Messrs. Avery, Stack, Berman and Young
Against:	None
Abstain:	None

At 8:20pm, Mr. Berman moved to close the meeting pursuant to HOA Section 11B-111.(4)(i, iv and v) to review several internal audit reports and for consultation with staff personnel on legal matters. Ms. McCord seconded the motion. The motion passed with a vote of 5-0-0.

For:	Ms. McCord and Messrs. Avery, Stack, Berman and Young
Against:	None
Abstain:	None

The meeting continued in closed session.

At 9:50pm the open meeting reconvened.

The committee reviewed the open tracking form.

At 9:51pm the meeting was adjourned by unanimous consent.

Columbia Association, Inc.

Financial Statements
and Independent Auditor's Report

April 30, 2015 and 2014

Columbia Association, Inc.

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Independent Auditor's Report

To The Board of Directors
Columbia Association, Inc.

We have audited the accompanying statements of financial position of Columbia Association, Inc. as of April 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audits 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baltimore, Maryland
(Date)

Columbia Association, Inc.

Statements of Financial Position
April 30, 2015 and 2014
(in Thousands)

Assets

	2015	2014
Cash and cash equivalents	$ 165	$ 201
Accounts receivable, net	13,124	13,638
Prepaid expenses and other assets	1,566	2,315
Debt service fund	-	135
Risk management fund	6,471	6,512
Workers' compensation fund	2,866	2,689
Property, facilities and equipment, net	113,742	105,814
Intangible assets, net	319	319
Deferred bond issuance/financing costs, net	128	-
Total assets	$ 138,381	$ 131,623

Liabilities and Net Assets

	2015	2014
Liabilities		
Line of credit	$ 1,229	$ 27,012
Accrued interest	-	110
Accounts payable and accrued expenses	12,327	11,471
Deferred revenue	14,206	15,119
	27,762	53,712
Term debt		
Senior secured bonds	-	2,702
Term loan	28,860	-
Capital lease obligations	210	348
Total term debt	29,070	3,050
Total liabilities	56,832	56,762
Net assets		
Unrestricted	81,549	74,861
Total liabilities and net assets	$ 138,381	$ 131,623

See Notes to Financial Statements.

Columbia Association, Inc.

Statements of Activities
Years Ended April 30, 2015 and 2014
(in Thousands)

	2015	2014
Revenue		
Property assessments	$ 34,922	$ 34,065
Sport and fitness	25,614	24,026
Community services	4,096	4,099
Communication and marketing	-	4
Open space and facility services	885	949
Village community associations	41	40
Interest income and other	(5)	101
Unrealized loss on marketable securities	(8)	(23)
Total revenue	65,545	63,261
Expenses		
Sport and fitness	27,141	25,597
Community services	5,347	5,400
Communication and marketing	1,191	855
Open space and facility services	11,556	11,329
Village community associations	4,434	4,489
Administrative	8,214	9,430
Interest	974	832
Total expenses	58,857	57,932
Increase in unrestricted net assets	6,688	5,329
Unrestricted net assets, beginning	74,861	69,532
Unrestricted net assets, end	$ 81,549	$ 74,861

See Notes to Financial Statements.

Columbia Association, Inc.

Statements of Cash Flows
Years Ended April 30, 2015 and 2014
(in Thousands)

	2015	2014
Cash flows from operating activities		
Increase in unrestricted net assets	$ 6,688	$ 5,329
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities		
Depreciation expense and amortization	8,531	7,872
Bad debt expense	406	316
Amortization of deferred bond issuance costs	16	8
Loss on disposal of fixed assets	45	424
Unrealized loss on marketable securities	8	23
Changes in operating assets and liabilities		
Accounts receivable	108	(896)
Prepaid expenses and other assets	749	(897)
Accrued interest	(110)	(288)
Accounts payable and accrued expenses	1,603	(876)
Deferred revenue	(913)	1,746
Net cash provided by operating activities	17,131	12,761
Cash flows from investing activities		
Net (sales) purchases of investments held by trustees	(9)	23
Purchase of property, facilities and equipment	(17,361)	(9,526)
Proceeds from the sale of equipment	110	59
Net cash used in investing activities	(17,260)	(9,444)
Cash flows from financing activities		
Line of credit	(25,783)	5,578
Bond issuance/finance costs	(144)	-
Long-term debt		
Senior secured bonds repayments	(2,702)	(8,671)
Capital lease obligation payments	(138)	(136)
Term loan proceeds	30,000	-
Term loan principal payments	(1,140)	-
Net cash provided by (used in) financing activities	93	(3,229)
Net (decrease) increase in cash and cash equivalents	(36)	88
Cash and cash equivalents, beginning	201	113
Cash and cash equivalents, end	$ 165	$ 201
Supplemental disclosure of noncash financing		
Fully amortized deferred financing costs written off	$ -	$ 8
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	$ 1,179	$ 1,055

See Notes to Financial Statements.

Note 1 - Organization and summary of significant accounting policies

Organization

Columbia Association, Inc. (the "Association") is a nonprofit membership corporation, 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.

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 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.

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.

(in Thousands)

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.

Assets	Estimated Useful Lives
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.

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. There have been no impairment losses recognized during the years ended April 30, 2015 and 2014, 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.

(in Thousands)

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 respective debt. Accumulated amortization as of April 30, 2015 and 2014 was $16 and $-0-, respectively. Amortization expense for the years ended April 30, 2015 and 2014 was $16 and $5, respectively. During fiscal year 2014, fully amortized financing costs were written off the statements of financial position in the amount of $1 with no additional impact to the statements of activities. Estimated amortization expense for each of the ensuing years through April 30, 2020 are as follows:

2016	$	15
2017		15
2018		14
2019		13
2020		12

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 is 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.

(in Thousands)

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 $619 and $649 for the years ended April 30, 2015 and 2014, 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 in *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 are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed. Net unrelated business income was $5 and $8 for the years ended April 30, 2015 and 2014, respectively.

Reclassification
Certain prior year amounts have been reclassified to conform with the current year presentation.

Note 2 - Accounts receivable

Accounts receivable are comprised of the following as of April 30, 2015 and 2014:

	2015	2014
Membership fees	$ 13,753	$ 14,576
Annual charges	726	962
Other	1,155	257
Total accounts receivable	15,634	15,795
Less reserves for abatements and allowance for doubtful accounts	2,510	2,157
	$ 13,124	$ 13,638

Note 3 - Investments and other assets

Debt service fund
Investments of $-0- in 2015 and $135 in 2014 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.

(in Thousands)

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, 2015 and 2014:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	$ 531	$ 531	$ 477	$ 477
Government debt securities	5,996	5,940	6,087	6,035
	$ 6,527	$ 6,471	$ 6,564	$ 6,512

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, 2015 and 2014:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	$ 98	$ 98	$ 405	$ 405
Government debt securities	2,765	2,768	2,282	2,284
	$ 2,863	$ 2,866	$ 2,687	$ 2,689

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.

The 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.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of April 30, 2015:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Government debt securities	$ -	$ 8,708	$ 8,708

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of April 30, 2014:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Government debt securities	$ -	$ 8,319	$ 8,319

(in Thousands)

Note 5 - Property, facilities and equipment, net

Property, facilities and equipment consist of the following as of April 30, 2015 and 2014:

	2015	2014
Land	$ 6,533	$ 6,533
Parks, lakes and related improvements	10,400	10,400
Land improvements	69,823	65,380
Buildings and recreation facilities	103,524	87,451
Furniture, equipment and other	29,046	31,113
Construction-in-progress	4,775	10,471
Total property, facilities and equipment	224,101	211,348
Less accumulated depreciation	110,359	105,534
Property, facilities and equipment, net	$ 113,742	$ 105,814

Note 6 - 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 2015 and 2014) 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 years 2015 and 2014.

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

2015	$10,279,012
2014	10,077,166

Note 7 - 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 55 basis points (0.73% and 0.70% as of April 30, 2015 and 2014, respectively) and is due on demand. Additionally, the note bears an unused commitment fee of 10 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 $1,229 and $27,012 outstanding under the line of credit as of April 30, 2015 and 2014, respectively.

The Association had $230 in letters of credit issued through a bank as of April 30, 2015 and 2014, respectively, none of which has been drawn upon.

(in Thousands)

Note 8 - Term debt

Senior secured bonds

Senior secured bonds bore interest at annual rates ranging from 6.81% to 11.5%. The weighted average rate as of April 30, 2014 was 9.82%. Such bonds were secured by annual charge revenue and they matured in 2015. The balance at April 30, 2015 and 2014 was $-0- and $2,702, respectively.

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

The Association's senior secured bonds were paid off on December 1, 2014.

Term loan

On June 26, 2014, the Association entered into a 15-year fixed rate bank loan with TD Bank in the amount of $30,000. The loan's interest rate is 3.63% and matures in fiscal year 2030. The Association is making monthly principal and interest payments beginning in August 2014 for the term of the loan. The funds were used to refinance certain interim indebtedness incurred to finance capital improvements. As of April 30, 2015, the future loan principal payments are as follows:

2016	$	1,567
2017		1,629
2018		1,690
2019		1,753
2020 and thereafter		22,221
Total	$	28,860

Interest expense capitalized was $111 and $8 during the years ended April 30, 2015 and 2014, respectively.

Capital lease obligation

The cost and accumulated amortization of equipment under capital leases were $1,112 and $835, respectively, as of April 30, 2015, and $1,112 and $724, respectively, as of January 31, 2014. As of April 30, 2015, the future minimum annual payments under capital leases are as follows:

2016	$	142
2017		70
Total minimum lease payments		212
Less: amount representing interest		(2)
Present value of net minimum lease payments	$	210

(in Thousands)

Note 9 - 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 $884 and $1,084 for the years ended April 30, 2015 and 2014, respectively.

Note 10 - Commitments

The Association leases certain facilities and equipment under operating leases. Rental expense, exclusive of these costs, was $1,274 and $748 for the years ended April 30, 2015 and 2014, respectively.

As of April 30, 2015, the Association's total commitment for minimum annual rentals, exclusive of maintenance and other occupancy costs, under noncancellable operating leases are:

2016	$	871
2017		1,487
2018		1,517
2019		1,547
2020 and thereafter		12,793
Total	$	18,215

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 $18 and $74 were included in accounts payable and accrued expenses as of April 30, 2015 and 2014, respectively. The lease for the IT offices also includes rent abatement for the period August 1, 2012 to October 31, 2012 valued at $10. Accrued abatements of $2 and $5 were included in accounts payable and accrued expenses as of April 30, 2015 and 2014, respectively. The lease for Haven on the Lake includes rent abatement for the period September 1, 2014 to August 31, 2015 valued at $386. The lease also includes a tenant improvement allowance of $1,378. The abatements and allowance are amortized over the life of the lease and are 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 Trust, Inc. On June 18, 2014, the State of Maryland assigned $190 in general obligation bond proceeds from the Association to Inner Arbor Trust, Inc. for the design and construction of Symphony Woods Park. As of April 30, 2015 and 2014, $-0- and $190, respectively, remain unpaid and are included in accounts payable and accrued expenses in the statements of financial position. Therefore, $190 was written off and is included in interest and other income on the statements of activities for the year ended April 30, 2015.

(in Thousands)

Note 11 - 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 :

	2015	2014
Reconciliation of benefit obligations		
Obligation at beginning of year	$ 605	$ 571
Service cost	25	22
Interest cost	27	29
Actuarial gain (loss)	2	(14)
Benefit payments	(5)	(3)
Obligation at end of year	$ 654	$ 605
Amount not recognized in net period postretirement benefit cost:		
Unrecognized prior service credit	$ (26)	$ (27)
Unrecognized gain	48	48
Total amount recognized in net periodic postretirement benefit costs	$ 22	$ 21
Net periodic postretirement benefit costs include:		
Service cost	$ 25	$ 22
Interest cost	27	29
Amortization of unrecognized prior service cost	1	1
Net periodic postretirement benefit cost	$ 53	$ 52

The discount rate was 5.6% as of April 30, 2015 and 2014. The gross trend rate for health care coverage is 10.0% grading to 4.6% over five years.

(in Thousands)

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:

	1% Increase	1% Decrease
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	83	(72)

Note 12 - 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 $1,420 and $1,443 are included in accrued expenses as of April 30, 2015 and 2014, 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 $2,174 and $2,037 are included in accrued expenses as of April 30, 2015 and 2014, respectively. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

Note 13 - 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, 2015.

Note 14 - 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.

Note 15 - 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 (Date) (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.

Columbia Association, Inc.
Incentive Savings Plan and Trust

Financial Statements
(With Supplementary Information)
and Independent Auditor's Report

December 31, 2014 and 2013

Columbia Association, Inc. Incentive Savings Plan and Trust

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Independent Auditor's Report

To the Trustee and Administrator
Columbia Association, Inc. Incentive Savings Plan and Trust

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Columbia Association, Inc. Incentive Savings Plan and Trust (the "Plan"), which comprise the statement of net assets available for plan benefits as of December 31, 2014, the related statement of changes in net assets available for plan benefits 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 the 2014 financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide basis for an audit opinion on the 2014 financial statements.

Basis for Disclaimer of Opinion on the 2014 Financial Statements

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in note 3, which was certified by Fidelity Management Trust Company (conducting business under the trade name Fidelity Investments), the trustee of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of and for the year ended December 31, 2014, that the information provided to the plan administrator by the trustee is complete and accurate.

Disclaimer of Opinion on the 2014 Financial Statements

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion on the 2014 Financial Statements* paragraph, we have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on the 2014 financial statements. Accordingly, we do not express an opinion on the 2014 financial statements.

Other Matters

The supplemental schedules of assets (held at end of year) as of December 31, 2014 and delinquent participant contributions as of and for the year ended December 31, 2013, are required by the Department of Labor's ("DOL") Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and are presented for the purposes of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we do not express an opinion on these supplemental schedules.

We have audited the accompanying financial statements of the Columbia Association, Inc. Incentive Savings Plan and Trust, which comprise the statement of net assets available for benefits as of December 31, 2013, and in our report dated July 25, 2014, we expressed our opinion that such financial statement presents fairly, in all material respects, net assets available for plan benefits as of December 31, 2013, and the changes in net assets available for plan benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Form and Content in Compliance With DOL Rules and Regulations

The form and content of the information included in the financial statements and supplementary schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America, and in our opinion are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Baltimore, Maryland
REPORT DATE

Columbia Association, Inc. Incentive Savings Plan and Trust

Statements of Net Assets Available for Plan Benefits
December 31, 2014 and 2013

	2014	2013
Assets		
Investments, at fair value		
Participant directed investments	$ 31,128,023	$ 30,695,081
Total investments, at fair value	31,128,023	30,695,081
Receivables		
Employer contributions	-	11,014
Participant notes receivable	1,122,832	1,104,768
Total receivables	1,122,832	1,115,782
Net assets reflective investments at fair value	32,250,855	31,810,863
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(22,013)	(30,200)
Net assets available for plan benefits	$ 32,228,842	$ 31,780,663

See Notes to Financial Statements.

Columbia Association, Inc. Incentive Savings Plan and Trust

Statement of Changes in Net Assets Available for Plan Benefits
Year Ended December 31, 2014

Additions	
Investment income:	
Net appreciation in fair value of investments	$ 413,699
Interest and dividend income	1,457,832
Total investment income	1,871,531
Contributions:	
Employer	1,003,984
Participants	1,285,803
Rollovers	49,435
Total contributions	2,339,222
Total additions	4,210,753
Deductions:	
Benefit payments	3,758,815
Administrative costs and fees	3,759
Total deductions	3,762,574
Net increase in net assets available for plan benefits	448,179
Net assets available for plan benefits, beginning of year	31,780,663
Net assets available for plan benefits, end of year	$ 32,228,842

See Notes to Financial Statements.

Note 1 - Plan description

The following description The Columbia Association, Inc. Incentive Savings Plan and Trust (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan was established on January 1, 1985, and is a defined contribution plan offered to employees of the Columbia Association, Inc. (the "Association") who meet certain minimum requirements, including having been employed for at least one year and completing at least 1,000 hours of services within any Plan year.

Effective July 1, 1999, the Plan was amended to reflect its status as a multiple-employer plan under Code Section 413(c), rather than a single-employer plan, following the determination that the Association and the nine community associations that participated in the Plan did not qualify as a single employer under Code Sections 414(b) and (c). The Association retains exclusive administrative control of the trust and the power to amend the Plan.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA") and the Internal Revenue Code ("IRC"). The Plan currently offers 36 separate investment options for Plan participants. The Association pays substantially all administrative expenses of the Plan.

The Association is the administrator of the Plan and Fidelity Management Trust Company is the trustee for the Plan.

Contributions

The Plan, as amended, requires the Association to contribute 6% of each participant's compensation and allows the participant to voluntarily contribute up to 100% of their compensation. In the event of a voluntary contribution of 100% of compensation, approval of the Association is required. The Plan includes an auto-enrollment provision whereby all newly eligible employees are automatically enrolled in the Plan unless they affirmatively elect not to participate in the Plan. Automatically enrolled participants have their deferral rate set at 3% of eligible compensation and their contributions. Rollovers from other plans for new employees are also reported as participant contributions. Contributions are subject to certain IRC limitations.

Participant accounts

Each participant's account is credited with the participant's contribution and allocations of the Association's contribution and Plan earnings. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is limited to the benefit that can be provided from the participant's vested account.

Vesting

For participants with three or more years of service as of June 30, 1993, the 6% Association contribution was 100% vested immediately. For participants hired on or after

July 1, 1993 and for contributions of all participants made through December 31, 2006, the Association's contribution is vested as participants complete at least 1,000 hours of service within any Plan year as follows:

Years of vesting service	Percentage
Less than 3	50%
3	60%
4	70%
5	80%
6	90%
7 or more	100%

On January 1, 2007, Columbia Association accelerated the vesting rate that the Association contributes to each participant's account. The new vesting schedule increases the percentage of the benefit that becomes vested each year, and shortens the overall time it takes to become 100% vested. The new vesting schedule applies only to contributions made after January 1, 2007.

Years of vesting service	Percentage
1	60%
3	70%
4	80%
5	90%
6	100%

Participants immediately vest 100% in their voluntary contributions and related investment earnings. Forfeited contributions are used to reduce future Association contributions.

Payment of benefits
On termination of service due to death, disability or retirement, a participant may elect to receive either a lump sum distribution amount equal to the value of the participant's vested interest in his or her account, or annual installments over a five-year period. For termination of service due to other reasons, a participant may receive the value of the vested interest in his or her account as a lump sum distribution. Participants can take an in-service withdrawal if they meet the requirements of the Plan.

Effective on March 8, 2013, the Plan was amended and accounts of participants who are no longer contributing to the Plan with an account balance of less than $1,000 will receive an automatic distribution.

Forfeited accounts
Forfeited balances of terminated participants' nonvested accounts are used to reduce future employer contributions to the Plan. As of December 31, 2014 and 2013, unallocated

forfeitures were $49,263 and $113,783, respectively. In 2014, employer contributions were reduced by $165,127 from forfeited nonvested accounts.

Participant notes receivable

Participants may borrow from their fund accounts up to a maximum equal to the lesser of $50,000 or 50% of the vested portion of their account balance. Principal, plus interest fixed on the date of borrowing, is payable in equal installments through payroll deductions over a term not to exceed five years. However, if the loan is used to acquire a principal residence, the loan can be repaid over a reasonable period of time not to exceed 30 years. The loans are collateralized by the participant's account and bear interest at a rate commensurate with local prevailing rates as determined quarterly by the Plan administrator. Interest rates range from 3.25% to 5.25%.

Note 2 - Summary of significant accounting policies

Basis of accounting

The financial statements of the Plan are prepared under the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of estimates

The preparation of financial statements in conformity with GAAP requires Plan management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Risks and uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes could materially affect the amounts reported in the statements of net assets available for Plan benefits.

Investment valuation and income recognition

Shares of registered investment companies (mutual funds and money market funds) are valued at quoted prices, which represent the net asset value of shares held by the Plan at year-end. Common collective trusts are investment vehicles valued using the net asset value provided by the administrator of the fund. The net asset value is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding.

Investments in common collective trust funds consist of the Fidelity Managed Income Portfolio Fund. As prescribed by GAAP, investment contracts held by a defined contributions plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As required by GAAP, the statements of net assets available for benefits present the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis. The crediting rate for these investment contracts is reset monthly by the issuer. The crediting rate was 1.64% and 3.0% at December 31, 2014 and 2013, respectively.

Interest income is recorded on the accrual basis. The Plan presents, in the statement of changes in net assets available for benefits, the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains or losses, the unrealized appreciation (depreciation) on those investments, and reinvested dividends. All net appreciation (depreciation) in fair value of investments relates to the investments in mutual funds. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

Participant notes receivable
Participant notes are measured at their unpaid principal balances plus any accrued but unpaid interest. Delinquent participant notes are reclassified as distributions based upon the terms of the Plan document. No allowance for credit losses has been recorded as of December 31, 2014 or December 31, 2013. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be in default, the participant loan balance is reduced and a benefit payment is recorded.

Payment of benefits
Benefits are recorded when due and payable in accordance with the terms of the Plan.

Administrative expenses
Substantially all of the expenses of administering the Plan are paid by the Association.

Income taxes
The Plan obtained a determination letter dated September 13, 2013, in which the Internal Revenue Service stated that the Plan documents were in compliance with the applicable requirements of the IRC. Although the Plan has been amended since receiving the determination letter, the plan administration and the Plan's tax counsel believe that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the IRC and, therefore, believe that the Plan is qualified and exempt from income taxes.

GAAP requires plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan is subject to routine audits by taxing jurisdictions. However, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2011.

Subsequent events
The Plan has evaluated subsequent events through REPORT DATE, the date the financial statements were available to be issued.

Note 3 - Certified investments (unaudited)

The plan administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting under ERISA. Investments held at December 31, 2014 and investment income for the year then ended, that is disclosed in the accompanying financial statements and supplemental schedule was obtained or derived from information supplied to the plan administrator and certified as complete and accurate by the trustee of the Plan.

Note 4 - Investments

Participants may elect to invest in any of 36 fund options.

The following are investments that represent 5% or more of the Plan's net assets as of December 31:

	2014	2013
Fidelity Retirement Money Market	$ 3,043,515	$ 3,336,263
Fidelity Growth Company Fund	2,091,146	1,767,611
Fidelity Freedom 2020	1,904,721	1,965,782
Fidelity Spartan 500 Index Fund	1,871,706	**
PIMCO Total Return Admin Fund	1,719,752	2,274,265
Fidelity Freedom 2025	1,664,626	**
Fidelity Managed Income Portfolio Fund	*	2,003,605
Fidelity Balanced Fund	*	1,907,341

* Investment represents less than 5% of fair value of the Plan's net assets as of December 31, 2014.

** Investment represents less than 5% of fair value of the Plan's net assets as of December 31, 2013.

During the Plan year ended December 31, 2014, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by $413,699.

Note 5 - Fair value measurements

The accounting guidance for fair value measurements and disclosures clarifies the principle that fair value should be based on the assumption that market participants would use when pricing the asset or liability, and establishes a hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority for unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active; or

Level 3 - Unobservable inputs that reflect the reporting entity's own assumptions.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014 and 2013.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Collective trust fund: Valued at the NAV of units of a bank collective trust. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Participant transactions (purchases and sales) may occur daily. Were the Plan to initiate a full redemption of the collective trust, the investment adviser reserves the right to temporarily delay withdrawal from the trust in order to ensure that securities liquidations will be carried out in an orderly business manner.

The following tables set forth by level, within the fair value hierarchy, the Plan's certified investments at fair value as of December 31, 2014 and 2013, respectively.

	2014			
	Level 1	Level 2	Level 3	Total
Money market fund	$ 3,043,515	$ -	$ -	$ 3,043,515
Mutual funds:				
Balanced	1,708,896	-	-	1,708,896
Bond	2,487,496	-	-	2,487,496
Dividend	473,852	-	-	473,852
Emerging market	359,223	-	-	359,223
Growth	5,843,354	-	-	5,843,354
International	1,390,698	-	-	1,390,698
Lifecycle	9,777,813	-	-	9,777,813
Real estate	898,844	-	-	898,844
Stock index	2,146,252	-	-	2,146,252
Value	1,492,053	-	-	1,492,053
Common collective trust	-	1,506,027	-	1,506,027
Total investments measured at fair value	$ 29,621,996	$ 1,506,027	$ -	$ 31,128,023

	2013			
	Level 1	Level 2	Level 3	Total
Money market fund	$ 3,336,263	$ -	$ -	$ 3,336,263
Mutual funds:				
Balanced	1,907,341	-	-	1,907,341
Bond	3,196,515	-	-	3,196,515
Dividend	475,404	-	-	475,404
Emerging market	419,073	-	-	419,073
Growth	5,202,896	-	-	5,202,896
International	1,675,456	-	-	1,675,456
Lifecycle	8,930,032	-	-	8,930,032
Real estate	702,717	-	-	702,717
Stock index	1,415,031	-	-	1,415,031
Value	1,430,748	-	-	1,430,748
Common collective trust	-	2,003,605	-	2,003,605
Total investments measured at fair value	$ 28,691,476	$ 2,003,605	$ -	$ 30,695,081

Note 6 - Related parties

Certain Plan investments are shares of mutual funds managed by Fidelity Investments ("Fidelity") for the years ended December 31, 2014 and 2013. Fidelity was the trustee and custodian of the Plan during the years ended December 31, 2014 and 2013 and, therefore, these transactions qualify as party-in-interest. Fees paid to Fidelity by the Plan for custodial services amounted to $3,759 and $3,511 for the years ended December 31, 2014 and 2013, respectively.

Note 7 - Plan termination

Although it has not expressed any intent to do so, the Association has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their entire accounts.

Note 8 - Reconciliation to Form 5500

The following represents a reconciliation of the difference between the statements of net assets available for plan benefits per the financial statements and the statement of net assets available for plan benefits per the Form 5500 as of December 31, 2014:

Net assets available for plan benefits per financial statements	$	32,228,842
Add adjustment from contract value to fair value		22,013
Net assets available for plan benefits per Form 5500	$	32,250,855

The following represents a reconciliation of the difference between the statement of changes in net assets available for plan benefits per the financial statements and the statement of changes in net assets available for plan benefits per Form 5500 for the year ended December 31, 2014:

Net increase in net assets available for plan benefits per financial statements	$	448,179
Less change in adjustment from contract value to fair value		(8,187)
Add contributions receivable - employer at December 31, 2013		11,014
Add net loan default payments at December 31, 2013		3,306
Net increase in net assets available for plan benefits per Form 5500	$	454,312

Note 9 - Delinquent participant contributions

Department of Labor ("DOL") regulations require that participant contributions be remitted as soon as they can be segregated from the sponsor's assets, but in no instance later than the fifteenth business day of the month following the month of the contribution. During the year ended December 31, 2013, the Plan's sponsor identified contributions of $626, that were not remitted to the Plan in accordance with the regulations. Additionally, management performed a calculation of lost earnings and interest on late participants' contributions which totaled $7 for the year ended December 31, 2013. During 2014, the identified contributions and lost earnings related to the year ended December 31, 2013 were contributed to the Plan.

Supplementary Information

Columbia Association, Inc. Incentive Savings Plan and Trust

Schedule H, Line 4i
Schedule of Assets (Held at End of Year)
52-0823992, Plan 003
December 31, 2014

(a)	(b)	(c)	(e)
Party-in-Interest	Lessor or Similar Party, Identity of Issuer, Borrower	Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Current Value
*	Fidelity Managed Income Portfolio Fund**	Common Collective Trust	$ 1,506,027
*	Fidelity Government Income Fund	Mutual Fund	751,338
*	Fidelity Balanced Fund	Mutual Fund	1,358,952
*	Fidelity Diversified International Fund	Mutual Fund	1,055,561
*	Fidelity Freedom 2005 Fund	Mutual Fund	73,727
*	Fidelity Freedom 2010 Fund	Mutual Fund	397,908
*	Fidelity Freedom 2015 Fund	Mutual Fund	969,741
*	Fidelity Freedom 2020 Fund	Mutual Fund	1,904,721
*	Fidelity Freedom 2025 Fund	Mutual Fund	1,664,626
*	Fidelity Freedom 2030 Fund	Mutual Fund	1,437,711
*	Fidelity Freedom 2035 Fund	Mutual Fund	718,142
*	Fidelity Freedom 2040 Fund	Mutual Fund	1,178,279
*	Fidelity Freedom 2045 Fund	Mutual Fund	555,547
*	Fidelity Freedom 2050 Fund	Mutual Fund	826,300
*	Fidelity Freedom Income Fund	Mutual Fund	51,111
*	Fidelity Growth Company Fund	Mutual Fund	2,091,146
*	Fidelity Real Estate Investment Portfolio	Mutual Fund	898,844
*	Fidelity Retirement Money Market	Money Market	3,043,515
*	Fidelity Spartan 500 Index Fund	Mutual Fund	1,871,706
*	Fidelity Spartan Extended Index Fund Investor Class	Mutual Fund	274,546
*	Fidelity Spartan Long-Term TR IDX ADV	Mutual Fund	128,894
*	Fidelity Spartan Global ex US Index Advantage Class	Mutual Fund	193
	ABF Small Cap Val Inv	Mutual Fund	793,903
	Allianz NJF Dividend Value Admin Fund	Mutual Fund	239,668
	Baird Mid Cap Inv	Mutual Fund	988,096
	Baron Growth Fund	Mutual Fund	1,318,188
	Columbia Dividend Income A	Mutual Fund	473,852
	DFA INF PRT SEC PORT	Mutual Fund	16,406
	Harbor Intl Inst	Mutual Fund	334,944
	Invesco Developing Markets A	Mutual Fund	359,223
	Janus Triton T	Mutual Fund	611,704
	Loomis Core PL BD Y	Mutual Fund	221,050
	Parnassus Fund	Mutual Fund	93,997
	PIMCO Total Return Admin Fund	Mutual Fund	1,719,752
	Ridgeworth Mid-Cap Value Equity I Fund	Mutual Fund	458,482
	TRP Div Growth	Mutual Fund	740,223
	Total investments at fair value		31,128,023
*	Participant loans	3.25% - 5.25%	1,122,832
	Adjustment from fair value to contract value for fully benefit-responsive investment contracts		(22,013)
	Total assets (held at end of year)		$ 32,228,842

* Party-in-interest
** Fair value with adjustment to contract value below

See Independent Auditor's Report.

Columbia Association, Inc. Incentive Savings Plan and Trust

Schedule H, Line 4a
Schedule of Delinquent Participant Contributions
52-0823992, Plan 003
December 31, 2013

		Total that Constitutes Nonexempt Prohibited			
Year	Participant Contributions Transferred Late to Plan	Contributions Not Corrected	Contributions Corrected Outside the VFCP	Contributions Pending Correction in the VFCP	Total Fully Corrected Under VFCP and PTE 2002-51
2013	$ 626				$ 626

See Independent Auditor's Report.

Tracking Form - Audit Committee
Open Meeting Items

	Submitted to Committee by (name):	Date sent to Committee	Description of Topic	Action to be Taken	Date Due to AC	Extensions	Revised Due Date to AC	Item Complete? (Y/N)
1	Mr. Young	6/24/2015	Provide a copy of the current and most recent organization charts.	Ms. Krabbe to provide.	July 2015 AC meeting			Y - provided to AC with draft minutes from the June 2015 meeting.
2	Mr. Berman	6/24/2015	Expand the description of IA's independence in the Office of Internal Audit Mission Statement and Charter.	Ms. Tuma to revise.	July 2015 AC meeting			Y - Done.

July 15, 2015

To: CA Audit Committee Members
Reginald Avery
Gregg Schwind
Chao Wu
Edward Berman
James Young

From: Jackie Tuma, Director of Internal Audit

Cc: Milton W. Matthews, President/CEO

Re: Authorization of the Audit Committee Charter and the Office of Internal Audit Mission Statement and Charter

During its meeting on June 24, 2015, the Audit Committee reviewed the Audit Committee Charter and the Office of Internal Audit Mission Statement and Charter and unanimously recommended that both documents be approved (with revisions). The Board of Directors approved the documents at its meeting on July 9, 2015.

Copies of the approved documents are attached for your convenience. I will provide a master copy for your signatures indicating authorization for FY16 at the July 22, 2015 Audit Committee meeting.

Audit Committee Charter

I. Purpose:

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the ethics program.

II. Composition:

The Audit Committee is to be comprised of at least three voting members as follows:

- Financial experts: Two committee members appointed by the Columbia Association Board of Directors shall be community members meeting the criteria of a "financial expert" as defined by the Sarbanes Oxley Act of 2002. Customarily, the community members will serve three year terms (beginning in alternating years). However, they serve at the pleasure of the board and may be removed from the committee's membership by the board.
- Board of Directors: Three committee members will be independent, non-management members of Columbia Association's Board of Directors. It is strongly preferred that any Board member(s) with financial expertise serve on the Audit Committee. In addition, at least one of the Board Committee members should remain consistent from year to year.
- The committee will be chaired by one of the Board members.
- A majority of the Committee's membership, with at least two of them being Board members, is required to be present at a meeting to constitute a quorum.
- Each member shall have one vote. A vote of the majority of the quorum present at a meeting shall be sufficient to constitute action upon a matter that properly comes before a meeting.

III. Duties and Responsibilities:

A. External Audit

- Recommend to the Board the appointment and discharge of the external auditors. Review and confirm the independence of the external auditors before finalizing the recommendation by obtaining statements from the auditors on relationships between the auditors and CA, including non-audit services.

- Review external audit fees and engagement letters.
- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with Internal Audit.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements and footnotes with the external auditors and management and consider whether they are complete and consistent with information known to the committee members and reflect appropriate accounting principles.
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with the external auditors and management all matters required to be communicated to the committee under Generally Accepted Auditing Standards (i.e. management letter, internal control weaknesses, audit adjustments, any disagreements with management, etc.). Resolve any disagreements between management and the external auditors.
- Review the results of other external/investigative audits (i.e. report findings, recommendations, observations, etc.).
- If necessary, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.
- Ensure that the audit engagement partners are rotated every five years.

B. Internal Audit

- Obtain and review reports on significant internal audit findings and recommendations, together with management's responses.
- Review and recommend changes to the Office of Internal Audit's Mission Statement and Charter.
- Review and approve the biannual Audit Plan.
- Review the Office of Internal Audit's performance relative to its audit plan.
- Meet on a quarterly basis (or as considered necessary) with the Office of Internal Audit and President. All committee members are expected to attend each meeting in person or via teleconference.

C. Internal Control and Other Responsibilities

- Consider the effectiveness of the organization's controls surrounding accounting, financial reporting, operations and information technology.

- Understand the scope of internal and external auditors' review of internal control over financial reporting.
- Review and provide to the Board the quarterly financial statements.
- Review and provide to the Board the quarterly Financial Report.
- Regularly report to the Board of Directors about Audit Committee activities, issues, and related recommendations.
- Monitor CA's ethics program
- Provide an open avenue of communication between internal audit, the external auditors, and the Board of Directors.
- Review and recommend for approval the annual IRS Form 990 (Return of Organization Exempt From Income Tax) and IRS Form 990T (Exempt Organization Business Income Tax Return) before it is filed with the IRS.
- Review and assess the adequacy of the Audit Committee Charter annually, requesting Board approval for proposed changes.
- If necessary, meet separately with the Director of Internal Audit to discuss any matters that the committee or the Director of Internal Audit believes should be discussed privately.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Review the Office of Internal Audit's compliance with the Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*.

IV. Closed Meetings

In the event that the Audit Committee holds a meeting in closed session for one of the purposes enumerated in Section 11B-111(4) of the Maryland Homeowners Association Act ("HOA"), the Chairperson of the Committee shall report such closed session to the Chairperson of the Board in a writing that provides (a) the date of the closed meeting, (b) the approximate beginning and ending times of the meeting, (c) the record of the vote of each committee member by which the meeting was closed, (d) the specific section number of the HOA pursuant to which the meeting was closed (which may be one or more of HOA section 11B-111(4) (i) through (viii)), and (e) a brief statement as to why the meeting was closed. Such report must be provided to the Chairperson of the Board by 5:00 p.m. on the day preceding the next Board meeting following the committee meeting.

Audit Committee Chair Date

Audit Committee Vice Chair Date

Audit Committee Member Date

Audit Committee Member Date

Audit Committee Member Date

Reviewed by CA's Audit Committee on June 24, 2015.
Approved by CA's Board of Directors on July 9, 2015.

Office of Internal Audit Mission Statement and Charter

Mission and Scope of Work

The mission of Columbia Association's Office of Internal Audit is to provide independent, objective assurance and consulting services in order to evaluate the accuracy and effectiveness of CA's operations, financial reporting, internal controls, and policies and procedures. The Office of Internal Audit is guided by a philosophy of adding value in order to improve operations. It assists CA in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

The scope of work of the Office of Internal Audit is to determine whether the Columbia Association's control processes, as designed and represented by management, are adequate and functioning in a manner to ensure that

- significant financial, managerial, and operating information is accurate, reliable, and timely;
- resources are acquired economically, used efficiently, and adequately protected;
- programs, plans, and objectives are achieved; and
- quality and continuous improvement are fostered in the organization's control processes.

Accountability and Independence

The Director of Internal Audit shall report administratively to the President/CEO and functionally to the President/CEO and the Audit Committee. The Director of Internal Audit shall provide information periodically on the status and results of the biannual audit plan and the sufficiency of Internal Audit's resources and shall also coordinate with and provide oversight of other control and monitoring functions as necessary (e.g., external and investigative audits).

Independence requires that the auditors' work be performed freely and objectively. As such, the Office of Internal Audit has no authority over or responsibility for the activities reviewed and is not authorized to perform operational duties, approve accounting transactions, or direct activities of CA employees not assigned to Internal Audit. The Director of Internal Audit will confirm to the Audit Committee, at least annually, the organizational independence of the Office of Internal Audit.

Responsibility

The Office of Internal Audit adheres to the Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the Office of Internal Audit's performance.

The responsibilities of the Director of Internal Audit and the staff of the Office of Internal Audit include but are not limited to:

- developing a flexible biannual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submitting that plan to the Audit Committee for review and approval
- implementing the biannual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management
- issuing a written report to management following each internal audit engagement
- communicating internal audit results to the Audit Committee
- conducting appropriate follow up on engagement findings and recommendations
- evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information
- evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization
- evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets
- evaluating the effectiveness and efficiency with which resources are employed
- evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned
- monitoring and evaluating governance processes
- maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter
- establishing a quality assurance program by which the Director of Internal Audit assures the operation of internal auditing activities and communicating the results of internal and external assessments
- performing consulting and advisory services related to governance, risk management and control as appropriate for CA
- evaluating and assessing significant new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion as needed
- issuing periodic reports to the Audit Committee and management summarizing results of audit activities

- keeping the Audit Committee informed of emerging trends and successful practices in internal auditing
- monitoring CA's ethics program
- assisting with investigations as needed
- considering the scope of work of the external auditors, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost
- performing audit procedures under the direction of the organization's external auditors to assist with their annual independent audit of CA's financial statements.

Authority

The Director of Internal Audit and the staff of the Office of Internal Audit are authorized to:

- have unrestricted access to all functions, records, property, and personnel. In the case of records and communications which are protected by the attorney-client privilege or are otherwise legally recognized as privileged documents or communications, the Office of Internal Audit may not further disclose such documents or communications to any party outside of CA unless the Board has voted to waive the privilege.
- have full and free access to the Audit Committee
- allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.

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President/CEO Date

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Director of Internal Audit Date

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Audit Committee Chair Date

Reviewed by CA's Audit Committee on June 24, 2015.
Approved by CA's Board of Directors on July 9, 2015.