



Columbia Association, Inc.
**Financial Statements
and Independent Auditor's Report**
April 30, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, 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
July 29, 2016

Columbia Association, Inc.
Statements of Financial Position
April 30, 2016 and 2015
(in Thousands)

Assets

	2016	2015
Cash and cash equivalents	\$ 702	\$ 165
Accounts receivable, net	12,055	13,124
Prepaid expenses and other assets	1,543	1,566
Risk management fund	6,452	6,471
Workers' compensation fund	2,979	2,866
Property, facilities and equipment, net	115,006	113,742
Intangible assets, net	319	319
Deferred financing costs, net	113	128
	\$ 139,169	\$ 138,381

Liabilities and Net Assets

Liabilities		
Line of credit	\$ 307	\$ 1,229
Accounts payable and accrued expenses	11,860	12,327
Deferred revenue	13,352	14,206
	25,519	27,762
Term debt		
Term loan	27,293	28,860
Capital lease obligations	347	210
	27,640	29,070
Total liabilities	53,159	56,832
Net assets		
Unrestricted	86,010	81,549
Total net assets	86,010	81,549
Total liabilities and net assets	\$ 139,169	\$ 138,381

See Notes to Financial Statements.

Columbia Association, Inc.

Statements of Activities
Years Ended April 30, 2016 and 2015
(in Thousands)

	2016	2015
Revenue		
Property assessments	\$ 36,005	\$ 34,922
Sport and Fitness	26,314	25,614
Community Services	4,178	4,096
Communications and Marketing	16	-
Open Space and Facility Services	562	885
Village Community Associations	35	41
Interest income and other	66	(5)
Unrealized gain (loss) on marketable securities	32	(8)
	<u>67,208</u>	<u>65,545</u>
Total revenue		
Expenses		
Sport and Fitness	27,726	27,141
Community Services	5,434	5,347
Communications and Marketing	2,325	1,191
Open Space and Facility Services	12,568	11,556
Village Community Associations	4,553	4,434
Administrative	9,067	8,214
Interest	1,074	974
	<u>62,747</u>	<u>58,857</u>
Total expenses		
Increase in unrestricted net assets	4,461	6,688
Unrestricted net assets, beginning	<u>81,549</u>	<u>74,861</u>
Unrestricted net assets, end	<u>\$ 86,010</u>	<u>\$ 81,549</u>

See Notes to Financial Statements.

Columbia Association, Inc.
Statements of Cash Flows
Years Ended April 30, 2016 and 2015
(in Thousands)

	2016	2015
Cash flows from operating activities		
Increase in unrestricted net assets	\$ 4,461	\$ 6,688
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities		
Depreciation expense and amortization	8,779	8,531
Bad debt expense	187	406
Amortization of deferred bond issuance costs	15	16
Loss on disposal of fixed assets	135	45
Unrealized (gain) loss on marketable securities	(32)	8
Changes in operating assets and liabilities		
Accounts receivable	882	108
Prepaid expenses and other assets	23	749
Accrued interest	-	(110)
Accounts payable and accrued expenses	(467)	1,603
Deferred revenue	(854)	(913)
	<u>13,129</u>	<u>17,131</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Net purchases of investments held by trustees	(62)	(9)
Purchase of property, facilities and equipment	(9,955)	(17,361)
Proceeds from the sale of equipment	45	110
	<u>(9,972)</u>	<u>(17,260)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Line of credit	(922)	(25,783)
Bond issuance/finance costs	-	(144)
Long-term debt		
Senior secured bonds repayments	-	(2,702)
Capital lease obligations	(131)	(138)
Term loan proceeds	-	30,000
Term loan principal payments	(1,567)	(1,140)
	<u>(2,620)</u>	<u>93</u>
Net cash (used in) provided by financing activities		
Net increase (decrease) in cash and cash equivalents	537	(36)
Cash and cash equivalents, beginning	<u>165</u>	<u>201</u>
Cash and cash equivalents, end	<u>\$ 702</u>	<u>\$ 165</u>
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	<u>\$ 1,058</u>	<u>\$ 1,179</u>
Supplemental disclosure of noncash investing and financing activities		
Assets acquired under capital lease	<u>\$ 268</u>	<u>\$ -</u>

See Notes to Financial Statements.

Columbia Association, Inc.

**Notes to Financial Statements
April 30, 2016 and 2015
(in Thousands)**

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 risk management and 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 property subject to the annual charge.

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.

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.

Columbia Association, Inc.

Notes to Financial Statements
April 30, 2016 and 2015
(in Thousands)

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.

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 and are reflected in the risk management fund and workers' compensation fund on the statements of financial position.

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.

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 were no impairment losses recognized during the years ended April 30, 2016 and 2015, respectively.

Intangible assets

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

Columbia Association, Inc.

**Notes to Financial Statements
April 30, 2016 and 2015
(in Thousands)**

Deferred financing costs

Expenses related to the term loan are being amortized using the effective interest method over the term of the respective debt. Accumulated amortization as of April 30, 2016 and 2015 was \$32 and \$16, respectively. Amortization expense for the years ended April 30, 2016 and 2015 was \$16. Estimated future amortization expense is as follows:

<u>Year ending April 30,</u>	<u>Amortization Expense</u>
2017	\$ 15
2018	14
2019	13
2020	12
2021	11

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 costs of advertising are expensed as incurred. Advertising and promotion costs totaled \$646 and \$619 for the years ended April 30, 2016 and 2015, 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 for the years ended April 30, 2016 and 2015.

Reclassifications

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

Columbia Association, Inc.

**Notes to Financial Statements
April 30, 2016 and 2015
(in Thousands)**

Note 2 - Accounts receivable

Accounts receivable are comprised of the following as of April 30, 2016 and 2015:

	2016	2015
Membership fees	\$ 13,653	\$ 13,753
Annual charges	666	726
Other	437	1,155
Total accounts receivable	14,756	15,634
Less reserves for abatements and allowance for doubtful accounts	2,701	2,510
	\$ 12,055	\$ 13,124

Note 3 - Investments and other assets

Risk management fund

Investments included in the risk management fund are held by a Trustee and are combined in a portfolio, which consists of the following as of April 30, 2016 and 2015:

	2016		2015	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 349	\$ 349	\$ 531	\$ 531
Government debt securities	6,129	6,103	5,996	5,940
	\$ 6,478	\$ 6,452	\$ 6,527	\$ 6,471

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, 2016 and 2015:

	2016		2015	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 77	\$ 77	\$ 98	\$ 98
Government debt securities	2,894	2,902	2,765	2,768
	\$ 2,971	\$ 2,979	\$ 2,863	\$ 2,866

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.

Columbia Association, Inc.

**Notes to Financial Statements
April 30, 2016 and 2015
(in Thousands)**

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.

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of April 30, 2016:

	Fair value measurements using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total
Government debt securities*	\$ -	\$ 9,005	\$ 9,005

The following table presents assets and liabilities 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

*Government debt securities are included in the risk management fund and workers' compensation fund as discussed in Note 3.

Columbia Association, Inc.

**Notes to Financial Statements
April 30, 2016 and 2015
(in Thousands)**

Note 5 - Property, facilities and equipment, net

Property, facilities and equipment consist of the following as of April 30, 2016 and 2015:

	2016	2015
Land	\$ 6,533	\$ 6,533
Parks, lakes and related improvements	10,400	10,400
Land improvements	71,456	69,823
Buildings and recreation facilities	108,853	103,524
Furniture, equipment and other	29,651	29,046
Construction-in-progress	4,764	4,775
Total property, facilities and equipment	231,657	224,101
Less accumulated depreciation	116,651	110,359
Property, facilities and equipment, net	\$ 115,006	\$ 113,742

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 2016 and 2015) 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% annual increase cap; however, the Board of Directors capped the increase at 2.5% for fiscal years 2016 and 2015.

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

2016	\$ 10,576,895
2015	10,279,012

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 (0.99% and 0.73% as of April 30, 2016 and 2015, 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 \$307 and \$1,229 outstanding under the line of credit as of April 30, 2016 and 2015, respectively.

The Association had \$230 in letters of credit issued through a bank as of April 30, 2016 and 2015, respectively, none of which has been drawn upon.

Note 8 - Term debt

Senior secured bonds

Senior secured bonds matured in 2015.

Columbia Association, Inc.

Notes to Financial Statements
April 30, 2016 and 2015
(in Thousands)

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 began making monthly principal and interest payments 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, 2016, the future loan principal payments are as follows:

2017	\$	1,629
2018		1,690
2019		1,753
2020		1,817
2021 and thereafter		<u>20,404</u>
Total	\$	<u><u>27,293</u></u>

Interest expense capitalized was \$-0- and \$111 during the years ended April 30, 2016 and 2015, respectively.

Capital lease obligation

The cost and accumulated amortization of equipment under capital leases were \$831 and \$516, respectively, as of April 30, 2016, and \$1,112 and \$835, respectively, as of April 30, 2015. As of April 30, 2016, the future minimum annual payments under capital leases are as follows:

2017	\$	135
2018		71
2019		71
2020		70
2021 and thereafter		<u>6</u>
Total minimum lease payments		353
Less: amount representing interest		<u>(6)</u>
Present value of net minimum lease payments	\$	<u><u>347</u></u>

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. Employees become fully vested after six years of service. Expenses under this plan were \$1,120 and \$884 for the years ended April 30, 2016 and 2015, respectively.

Note 10 - Commitments

The Association leases certain facilities and equipment under operating leases. Rental expense, exclusive of these costs, was \$1,729 and \$1,274 for the years ended April 30, 2016 and 2015, respectively.

Columbia Association, Inc.

Notes to Financial Statements
April 30, 2016 and 2015
(in Thousands)

As of April 30, 2016, the Association's total commitment for minimum annual rentals, exclusive of maintenance and other occupancy costs, under noncancellable operating leases is:

2017	\$	1,487
2018		1,517
2019		1,547
2020		1,578
2021 and thereafter		<u>11,216</u>
Total	\$	<u>17,345</u>

The lease for the previous headquarters building located on Wincopin Circle includes a rent abatement for the period September 1, 2011 to February 28, 2012 valued at \$249. Accrued abatements of \$-0- and \$18 were included in accounts payable and accrued expenses as of April 30, 2016 and 2015, respectively.

The lease for the headquarters building located on Hillside Court includes a rent abatement for the period September 1, 2015 to April 30, 2016 valued at \$460. Accrued abatements of \$460 and \$-0- were included in accounts payable and accrued expenses as of April 30, 2016 and 2015, respectively.

The lease for the IT offices includes a rent abatement for the period August 1, 2012 to October 31, 2012 valued at \$10. Accrued abatements of \$-0- and \$2 were included in accounts payable and accrued expenses as of April 30, 2016 and 2015, respectively.

The lease for Haven on the Lake includes a rent abatement for the period September 1, 2014 to August 31, 2015 valued at \$386. Accrued abatements of \$355 and \$245 were included in accounts payable and accrued expenses as of April 30, 2016 and 2015, respectively. The lease also includes a tenant improvement allowance of \$1,378. Accrued allowances of \$1,268 and \$1,334 were included in accounts payable as of April 30, 2016 and 2015, respectively. The abatements and allowances 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. 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.

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.

Columbia Association, Inc.

**Notes to Financial Statements
April 30, 2016 and 2015
(in Thousands)**

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:

Reconciliation of benefit obligations			
Obligation at beginning of year	\$	654	\$ 605
Service cost		27	25
Interest cost		29	27
Actuarial gain (loss)		-	2
Benefit payments		(6)	(5)
		<u>704</u>	<u>654</u>
Obligation at end of year			
	\$	<u>704</u>	\$ <u>654</u>
Amount not recognized in net period postretirement benefit cost:			
Unrecognized prior service credit	\$	(25)	\$ (26)
Unrecognized gain		48	48
		<u>48</u>	<u>48</u>
Total amount recognized in net periodic postretirement benefit costs			
	\$	<u>23</u>	\$ <u>22</u>
Net periodic postretirement benefit costs include			
Service cost	\$	27	\$ 25
Interest cost		29	27
Amortization of unrecognized prior service cost		1	1
		<u>1</u>	<u>1</u>
Net periodic postretirement benefit cost			
	\$	<u>57</u>	\$ <u>53</u>

The discount rate was 5.6% as of April 30, 2016 and 2015. 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	90	(78)

Columbia Association, Inc.

**Notes to Financial Statements
April 30, 2016 and 2015
(in Thousands)**

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 \$1,369 and \$1,420 are included in accrued expenses as of April 30, 2016 and 2015, 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 \$2,224 and \$2,174 are included in accrued expenses as of April 30, 2016 and 2015, 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, 2016.

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 July 29, 2016 (the date the financial statements were 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.

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