



September 3, 2014

To: Members of the Audit Committee
Reginald Avery
Gregg Schwind
Edward Berman
James Young

Cc: Members of the Columbia Association Board of Directors
Milton Matthews, President/CEO
Jackie Tuma, Chief Staff Liaison

From: Michael Cornell, Chair

The Audit Committee of the Columbia Association, Inc. Board of Directors will meet on Wednesday, September 10, 2014 at the Columbia Association Building, 10221 Wincopin Circle, Columbia, MD 21044 at 7:30 p.m.

AGENDA

- | | |
|--|--------|
| 1. Call to order | 1 min |
| 2. Approval of agenda | 2 min |
| 3. Approval of minutes: July 23, 2014 | 2 min |
| 4. Review of the FY15 first quarter Financial Report and financial statements | 20 min |
| 5. Motions to recommend Board action (no backup) | 5 min |
| a) Motion to provide the FY15 first quarter Financial Report to the Board of Directors | |
| b) Motion to provide the FY15 first quarter financial statements to the Board of Directors | |
| 6. Membership reports provided by Valerie Barnard, Director of Sales and Marketing | 10 min |
| 7. Motion to close for the purpose of reviewing several internal audit reports and consultation with staff personnel on legal matters in accordance with HOA Section 11B-111.(4)(i,iv) | 74 min |
| 8. Committee tracking form (open meeting) | 5 min |
| 9. Adjournment – 9:29 p.m. | |

ARRANGEMENTS FOR AN INTERPRETER FOR THE HEARING IMPAIRED CAN BE MADE BY CALLING 410-715-3111 AT LEAST TWO DAYS IN ADVANCE OF THE MEETING.



August 4, 2014

**MINUTES
AUDIT COMMITTEE MEETING
Held: Wednesday, July 23, 2014**

Participants: Michael Cornell, Audit Committee Chair
Reginald Avery, Audit Committee Vice Chair
Gregg Schwind, Audit Committee
James Young, Audit Committee
Milton Matthews, President
Jackie Tuma, Chief Staff Liaison

Also present: Daniel Kenney, Principal, CohnReznick
Karin Lundquist, Senior Manager, CohnReznick
Lee Brody, Senior Associate, CohnReznick
Susan Krabbe, Chief Financial Officer
Paul Papagjika, Treasurer

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

Mr. Avery moved to approve the agenda and Mr. Young seconded. The agenda was approved as presented with a vote of 4-0-0.

For:	Messrs. Cornell, Avery, Schwind and Young
Against:	None
Abstain:	None

Mr. Avery moved to approve the draft minutes from the June 23, 2014 meeting and Mr. Young seconded. The minutes were approved as presented with a vote of 4-0-0.

For:	Messrs. Cornell, Avery, Schwind and Young
Against:	None
Abstain:	None

Mr. Kenney, Ms. Lundquist, and Mr. Brody presented the draft audited financial statements for the year ended April 30, 2014 for Columbia Association, Inc. They also presented the draft audited financial statements for the year ended December 31, 2013 for the Columbia Association, Inc. Incentive Savings Plan and Trust. The 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 Report states that in their opinion, the financial statements are presented fairly in all material respects.

Ms. Krabbe will edit Note 15 to CA's financial statements (subsequent events) explaining that the bond bill grant assignment to Inner Arbor Trust was approved by the Board of Public Works in June 2014.

At 8:13 p.m., Mr. Schwind 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 4-0-0.

For:	Messrs. Cornell, Avery, Schwind and Young
Against:	None
Abstain:	None

The meeting continued in closed session.

At 8:58 p.m. the open meeting reconvened.

Mr. Avery moved to provide the independent audit reports of CA's financial statements for FY14 to the Board of Directors. Mr. Schwind seconded the motion, and it passed 3-0-0. (Mr. Young departed during the closed session.)

For:	Messrs. Cornell, Avery and Schwind
Against:	None
Abstain:	None

Mr. Schwind moved to provide the independent audit reports of CA's Incentive Savings Plan and Trust for the calendar year 2013 to the Board of Directors. Mr. Avery seconded the motion, and it passed 3-0-0.

For:	Messrs. Cornell, Avery and Schwind
Against:	None
Abstain:	None

The committee tracking form was reviewed. Committee members discussed item #4 (membership and market share data). Members requested that Ms. Barnard provide the information to Ms. Tuma by July 31, 2014 and that Ms. Tuma review it, along with the underlying assumptions and methodology used to compile the data. Mr. Matthews requested that an explanatory memo accompany the data when it is presented by Ms. Barnard. The committee would like to receive the information at its next meeting, scheduled for September 10, 2014.

At 9:18 p.m., the meeting was adjourned by unanimous consent.



September 4, 2014

To: Audit Committee

From: Valerie Barnard, Director, Marketing and Sales

CC: Milton W. Matthews, President/CEO
Jackie Tuma, Director Internal Audit
Susan Krabbe, Vice President, Chief Financial Officer
Michelle Miller, Director, Life Services

Re: Explanation of Membership reports

At the June 23, 2014 Audit committee meeting, I was given the task to provide membership and market share data. The market share data, supporting the membership numbers provided on the July 2014 Dashboard, along with explanations is included in this document. **(Example 1)**

Currently, CA's membership structure has many layers, all of which factor into the financial results. It has proved to be challenging at best to find a way to present comprehensive data that is concise and meaningful.

At this time, we are building a process for FY15 and moving forward, so the first charts you will see **(Example 2)** will show how memberships will look from year to year.

Moving forward, quarterly membership data and the quarterly membership revenue reports will be provided to you **(Example 3)**. These graphs will be updated each quarter showing you trends of membership totals and revenue. You will begin to see clearly on one page whether the number of memberships and associated revenue are increasing or decreasing and if those trends are not proportionate, there will be an explanation at the bottom of the page.

Since these trends will impact revenue, I have included an example of the graphs showing CA memberships by Plan Type by year and a breakdown of Memberships per Quarter. **(Example 4)** You will see an increase or decrease of memberships from the previous quarter and if the variance is significant, there will be an explanation at the bottom of the page.

The last two charts **(Example 5)** categorize membership numbers from FY09 through FY14 and at the end of each quarter (by resident/non-resident).

Example 1:

**Market Share Data Reported in the July 2014 Dashboard
Supporting Membership Numbers**

Fiscal Year	Columbia Cards A	CA Resident Memberships B	CA Residential Units C	Market Share (Including Columbia Cards) D = (A+B)/C	Market Share (Excluding Columbia Cards) E = B/C
2009	6,355	16,318	36,341	62.4%	44.9%
2010	5,979	15,729	36,642	59.2%	42.9%
2011	6,204	15,862	36,943	59.7%	42.9%
2012	6,675	15,832	37,251	60.4%	42.5%
2013	1,080	14,607	37,251	42.1%	39.2%
2014	1,218	13,647	37,251	39.9%	36.6%

Notes:

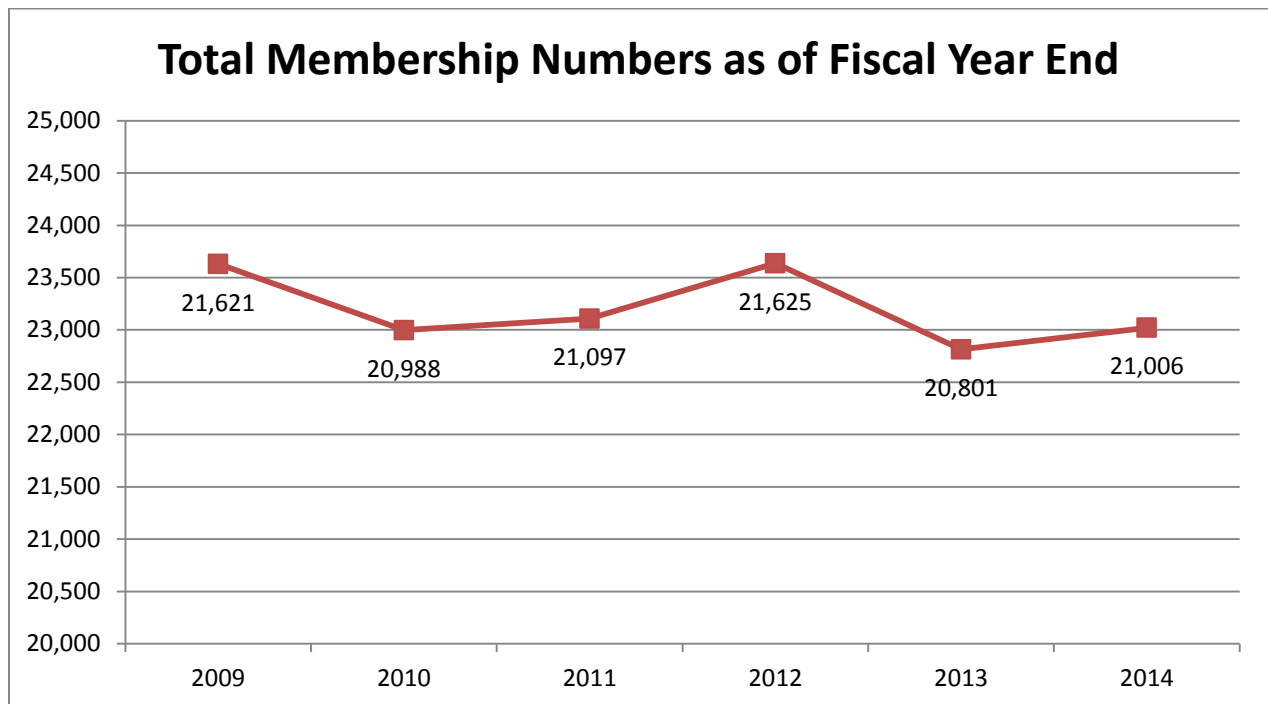
A During FY2012, a decision was made to expire and re-verify the CA address of all Columbia Card holders. This resulted in a significant drop of CA market share in FY2013. Currently all Columbia Cards are effective through the year 2020.

B Includes free memberships (employee memberships and CA points).

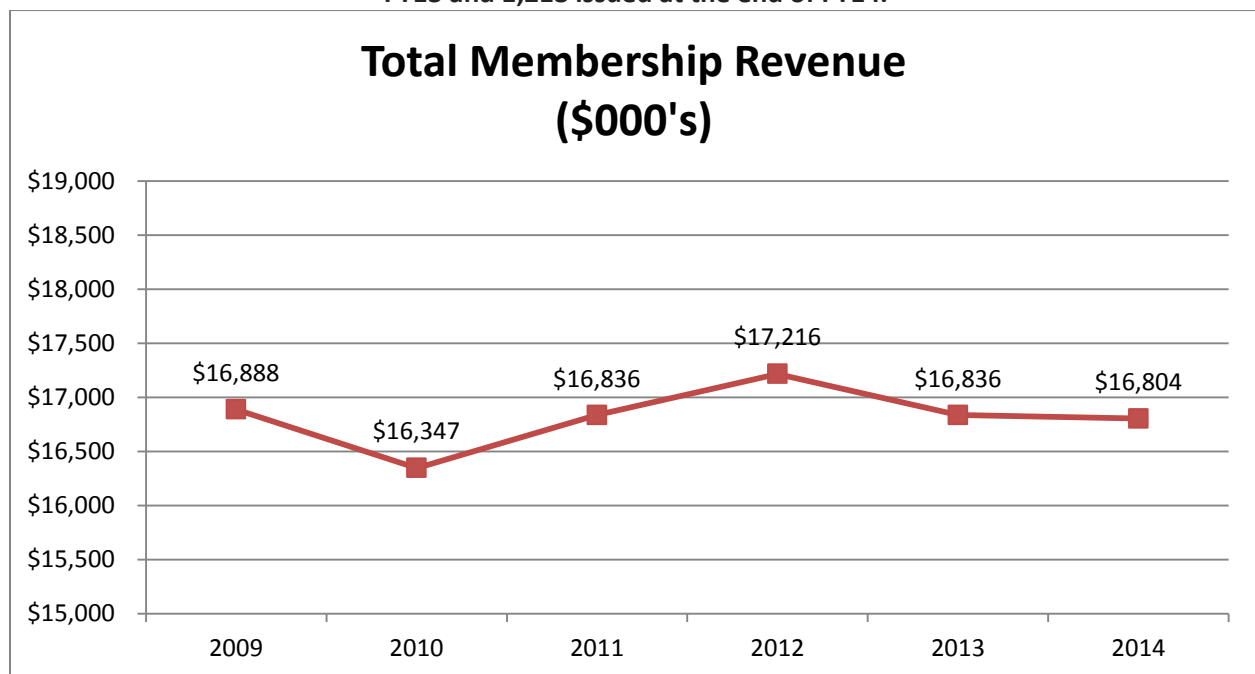
C This was based on residential units of 34,233 in FY2002, and an average annual increase of 301 units until FY2011. Beginning in FY2012, residential units from CA's publication titled "*Characteristics of Columbia, Maryland, A Demographic and Socio-Economic Profile*" (issued in December 2012 by Jane Dembner) was used.

For 2012 and prior, the market share percentages include all memberships per household. Some households had more than one membership.

Example 2:



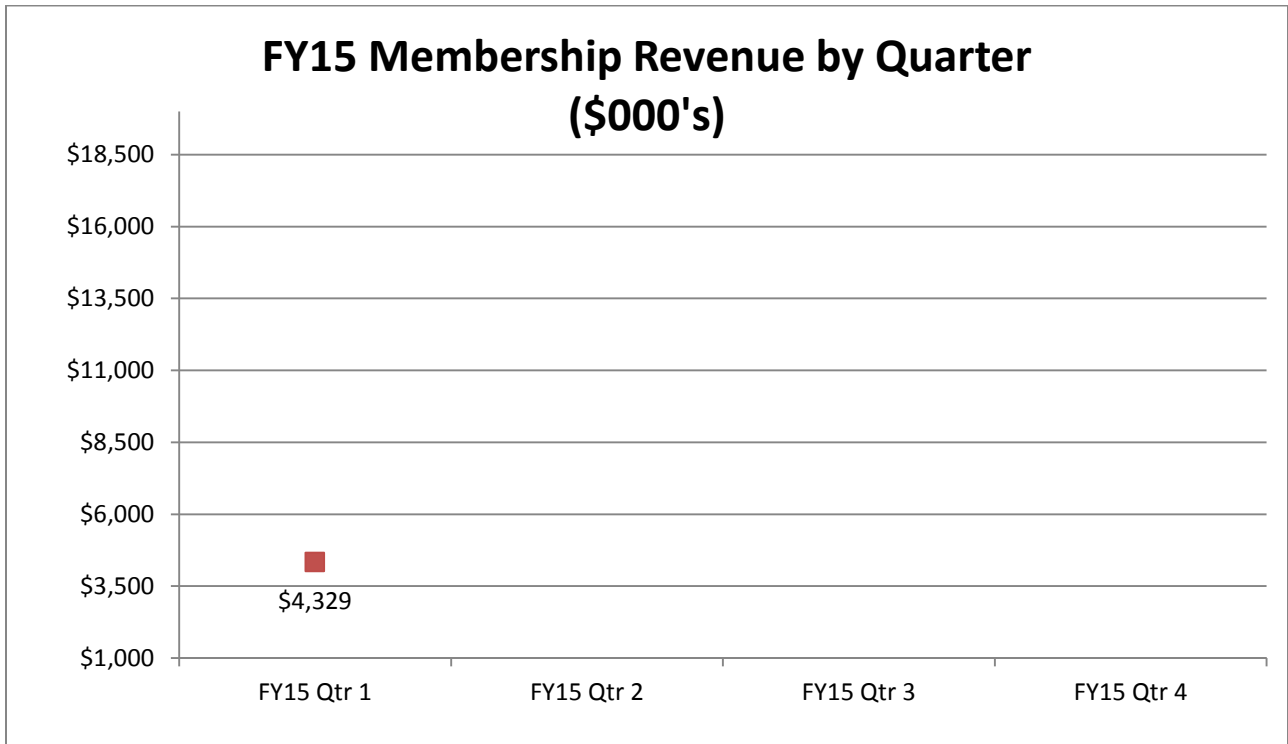
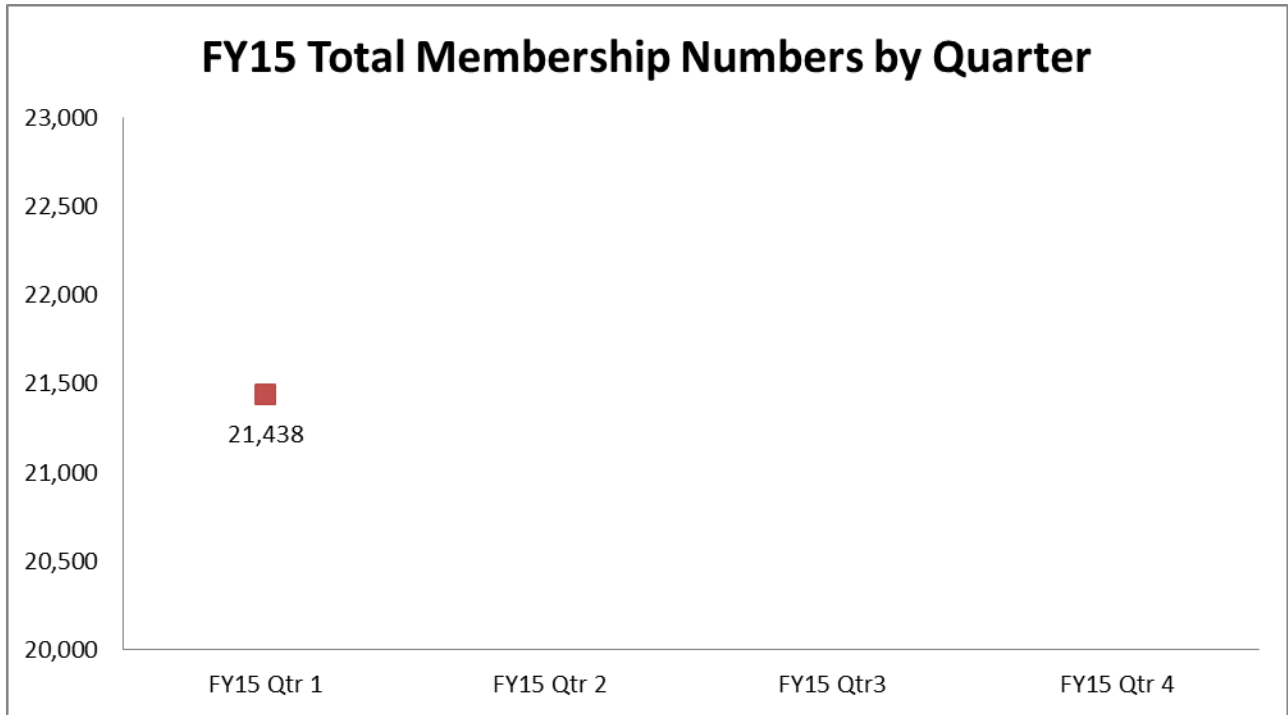
Note: The figures presented do not include Columbia Cards. There were 1,714 Columbia Cards issued at the end of FY13 and 1,218 issued at the end of FY14.



Notes: The decrease in revenue of approximately \$32,000 between FY14 and FY13 is attributable to an increase in complimentary memberships provided for the CA Points program and an increase in Outdoor Pool/Swim Center memberships which are sold at a lower price point than Package Plan/Plus.

Both the FY13 and FY14 Membership Revenue amounts differ from the results reported in the Financial Reports. The amounts shown in this graph reflect a reduction of \$589,000 in FY13 and an increase of \$589,000 in FY14 from the figures reported in the Financial Reports. This restatement is due to a change in the amortization period for membership discounts which was not recorded in the Financial Reports.

Example 3:



Example 4:

**CA Memberships By Plan Type as of Fiscal Year Ended
April 30, 2014**

	Number of Memberships						Incr/(Decr) FY 13 to FY 14
	FY09	FY10	FY11	FY12	FY13	FY14	
Package Plan/Plus*	17,497	17,201	17,232	17,877	17,406	17,185	(221)
Outdoor Pool/Swim Center**	1,828	1,659	1,741	1,839	2,041	2,468	427
Supreme Sports Club	1,022	878	861	718	455	476	21
Columbia Gym	247	343	307	280	207	256	49
Athletic Club	326	359	377	322	220	221	1
Golf (Daily - HG and FH)	481	308	349	375	247	241	(6)
Tennis	220	240	230	214	225	146	(79)
Womens Gym	-	-	-	-	-	13	13
Total Memberships	21,621	20,988	21,097	21,625	20,801	21,006	205
Columbia Cards***	6,355	5,979	6,204	6,675	1,714	1,218	(496)

Notes:

*The decrease in Package Plan/Plus memberships is due to an increase in more members choosing to purchase single facility memberships.

**The increase in Outdoor Pool/Swim Center memberships from FY13 to FY14 is due to greater community interest in 12 month swim-only memberships, which were first sold beginning in FY13.

***During FY12, a decision was made to expire and re-verify the CA address of all Columbia Card holders.

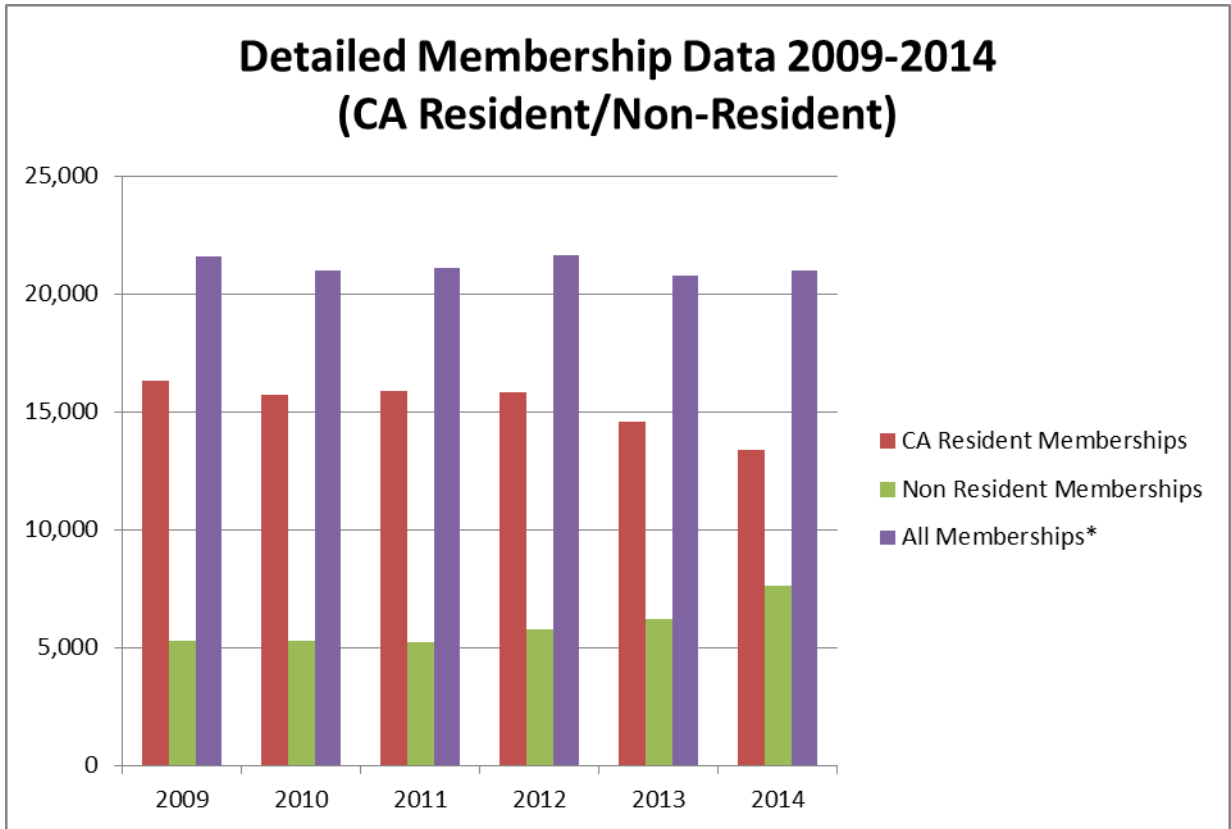
	Number of Memberships FY15					Incr/(Decr) FY14 year end to FY15 Qtr 1
	FY14 Year End Numbers	FY15 Qtr 1	FY15 Qtr 2	FY15 Qtr 3	FY15 Qtr 4	
Package Plan/Plus	17,185	17,178	-	-	-	(7)
Outdoor Pool/Swim Center*	2,468	2,885	-	-	-	417
Supreme Sports Club	476	475	-	-	-	(1)
Columbia Gym	256	280	-	-	-	24
Athletic Club	221	225	-	-	-	4
Golf (Daily - HG and FH)	241	241	-	-	-	-
Tennis	146	141	-	-	-	(5)
Womens Gym	13	13	-	-	-	-
Total Memberships	21,006	21,438	-	-	-	432
Columbia Cards**	1,218	1,751	-	-	-	533

Notes:

*Outdoor Pool/Swim Center memberships continue to gain in popularity among new members, showing an increase of 417 memberships since April 30, 2014.

**Columbia Card memberships are showing an increase with residents choosing this membership to gain access to the outdoor pools during the summer months.

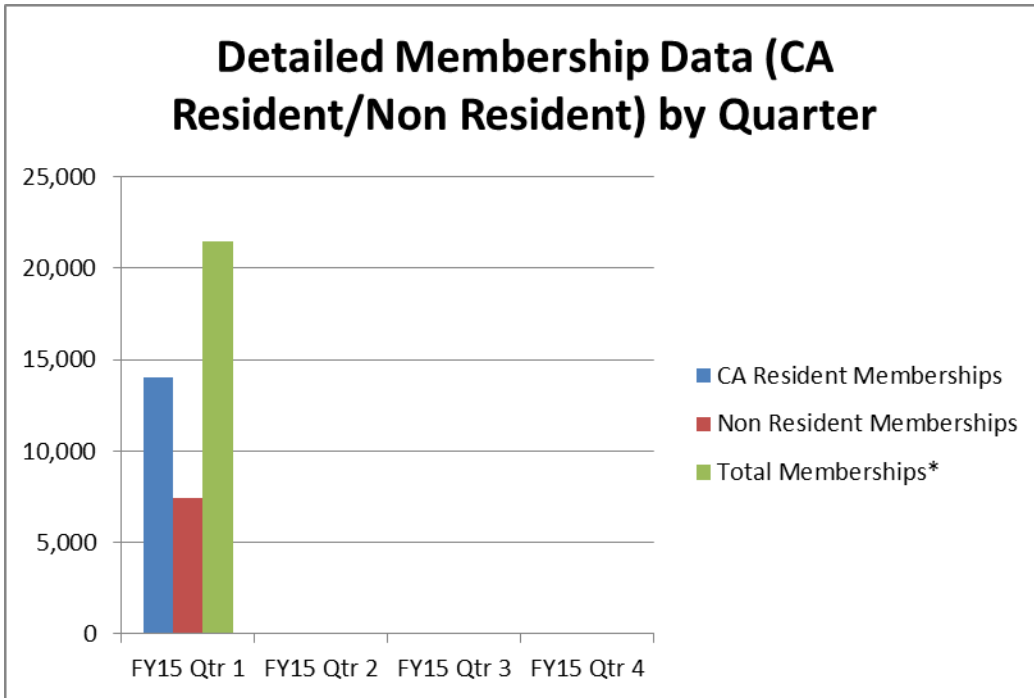
Example 5:



Fiscal Year	CA Resident Memberships	Non Resident Memberships	All Memberships*
2009	16,318	5,303	21,621
2010	15,729	5,259	20,988
2011	15,862	5,235	21,097
2012	15,832	5,793	21,625
2013	14,607	6,194	20,801
2014	13,392	7,614	21,006

***Figures do not include Columbia Cards**

Example 5 (continued):

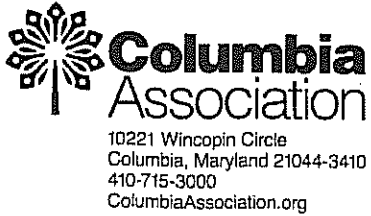


FY15	CA Resident Memberships	Non Resident Memberships	Total Memberships*
FY15 Qtr 1	14,003	7,435	21,438
FY15 Qtr 2			
FY15 Qtr 3			
FY15 Qtr 4			

*Figures do not include Columbia Cards

**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. Stack	6/23/2014	Various questions regarding the FY14 4th quarter Financial Report	Several staff members to respond; answers will be compiled in one memo to the Board.	6/30/2014	-	-	Y - Responses emailed by S. Krabbe on 6/27/14.
2	Mr. Schwind	6/23/2014	Amend the FY 4th quarter Financial Report to include an explanation of the discount amortization adjustment and its impact on membership revenue in FY13 and FY14.	S. Krabbe to amend.	Sept 2014 AC Meeting	-	-	Y - Amended Financial Report was posted on CA's website on 6/27/14.
3	Mr. Young	6/23/2014	Provide the amount of unamortized discount scheduled to be recognized each year until it is fully amortized.	P. Papagjika to provide.	Sept 2014 AC Meeting	-	-	Y - See memo from P. Papagjika attached (Sept 2014 AC agenda/backup).
4	Various AC members	6/23/2014 & 7/23/2014	Provide unfiltered membership data in order to evaluate membership trends. Also provide market penetration data, including raw numbers (numerator/denominator). Prepare a cover memo explaining the data and any assumptions/methodology used to compile the information.	V. Barnard to provide. J. Tuma to review.	7/31/2014 (from V. Barnard to J. Tuma). Sept 2014 AC Meeting (from V. Barnard to Audit Committee).	-	-	Y - See agenda item #6 (9/10/14). Note : Bold items reflect updates made during July 2014 AC Mtg.
5	AC members	7/23/2014	Revise Note 15 in CA's FY14 audited financial statements to explain that a state of Maryland grant was assigned to Inner Arbor Trust subsequent to 4/30/14.	S. Krabbe to amend.	7/31/2014	-	-	Y - Done.



To: Audit Committee

From: Paul Papagjika *Paul P.*

Through: Susan Krabbe

Date: August 22, 2014

Audit Committee Request:

Provide the amount of unamortized discount scheduled to be recognized each year until it is fully amortized.

Response:

As of July 31, 2014, the unamortized discounts are projected to be as follows:

4/30/2015 \$ 140,000

4/30/2016 \$ 2,000