

Columbia Association, Inc.

Financial Statements

October 31, 2016 and 2015

Columbia Association, Inc.

Index

Page

Financial Statements

Statements of Financial Position 2

Statements of Activities 3

Statements of Cash Flows 4

Notes to Financial Statements 5

Columbia Association, Inc.
Statements of Financial Position
October 31, 2016 and 2015
(in Thousands)

Assets

| | 2016 | 2015 |
|---|------------|------------|
| Cash and cash equivalents | \$ 18,320 | \$ 15,081 |
| Accounts receivable, net | 11,895 | 13,458 |
| Prepaid expenses and other assets | 1,750 | 1,706 |
| Risk management fund | 6,469 | 6,465 |
| Workers' compensation fund | 2,994 | 2,857 |
| Property, facilities and equipment, net | 116,555 | 114,336 |
| Intangible assets, net | 319 | 319 |
| Deferred financing costs, net | 105 | 121 |
| | \$ 158,407 | \$ 154,343 |

Liabilities and Net Assets

| | | |
|---------------------------------------|------------|------------|
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 12,858 | \$ 10,435 |
| Deferred revenue | 12,462 | 14,333 |
| | 25,320 | 24,768 |
| Term debt | | |
| Term loan | 26,487 | 28,082 |
| Capital lease obligations | 265 | 128 |
| | 26,752 | 28,210 |
| Total term debt | 26,752 | 28,210 |
| Total liabilities | 52,072 | 52,978 |
| Net assets | | |
| Unrestricted | 106,335 | 101,365 |
| Total net assets | 106,335 | 101,365 |
| Total liabilities and net assets | \$ 158,407 | \$ 154,343 |

See Notes to Financial Statements.

Columbia Association, Inc.

**Statements of Activities
Periods Ended October 31, 2016 and 2015
(in Thousands)**

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|
| Revenue | | |
| Property assessments | \$ 37,210 | \$ 35,908 |
| Sport and Fitness | 13,596 | 13,866 |
| Community Services | 1,998 | 1,879 |
| Communications and Marketing | - | 16 |
| Open Space and Facility Services | 423 | 261 |
| Village Community Associations | 8 | 27 |
| Interest income and other | 40 | 35 |
| Unrealized gain (loss) on marketable securities | 22 | 20 |
| | <u>53,297</u> | <u>52,012</u> |
| Total revenue | | |
| Expenses | | |
| Sport and Fitness | 14,795 | 14,860 |
| Community Services | 3,123 | 2,979 |
| Communications and Marketing | 1,243 | 1,048 |
| Open Space and Facility Services | 6,626 | 6,121 |
| Village Community Associations | 2,288 | 2,166 |
| Administrative | 4,392 | 4,472 |
| Interest | 505 | 548 |
| | <u>32,972</u> | <u>32,194</u> |
| Total expenses | | |
| Increase in unrestricted net assets | 20,325 | 19,818 |
| Unrestricted net assets, beginning | <u>86,010</u> | <u>81,547</u> |
| Unrestricted net assets, end | <u>\$ 106,335</u> | <u>\$ 101,365</u> |

See Notes to Financial Statements.

Columbia Association, Inc.

**Statements of Cash Flows
Periods Ended October 31, 2016 and 2015
(in Thousands)**

| | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|
| Cash flows from operating activities | | |
| Increase in unrestricted net assets | \$ 20,325 | \$ 19,818 |
| Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities | | (2) |
| Depreciation expense and amortization | 4,477 | 4,307 |
| Amortization of deferred bond issuance costs | 8 | 7 |
| Loss (Gain) on disposal of fixed assets | 151 | (10) |
| Loss on impairment of fixed assets | - | - |
| Unrealized (gain) loss on marketable securities | (22) | (20) |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 160 | (334) |
| Prepaid expenses and other assets | (207) | (140) |
| Accounts payable and accrued expenses | 998 | (1,892) |
| Deferred revenue | (890) | 127 |
| Net cash provided by operating activities | <u>25,000</u> | <u>21,861</u> |
| Cash flows from investing activities | | |
| Net purchases of investments held by trustees | (10) | 35 |
| Purchase of property, facilities and equipment | (6,250) | (4,901) |
| Proceeds from the sale of equipment | 73 | 10 |
| Net cash used in investing activities | <u>(6,187)</u> | <u>(4,856)</u> |
| Cash flows from financing activities | | |
| Line of credit | (307) | (1,229) |
| Long-term debt | | |
| Capital lease obligations | (82) | (82) |
| Term loan principal payments | (806) | (778) |
| Net cash (used in) provided by financing activities | <u>(1,195)</u> | <u>(2,089)</u> |
| Net increase (decrease) in cash and cash equivalents | 17,618 | 14,916 |
| Cash and cash equivalents, beginning | <u>702</u> | <u>165</u> |
| Cash and cash equivalents, end | <u>\$ 18,320</u> | <u>\$ 15,081</u> |
| Supplemental disclosure of cash flow information | | |
| Cash paid during the period for interest | <u>\$ 509</u> | <u>\$ 540</u> |

See Notes to Financial Statements.

Columbia Association, Inc.

**Notes to Financial Statements
October 31, 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.

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
October 31, 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. 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. 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 |

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 periods ended October 31, 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
October 31, 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 October 31, 2016 and 2015 was \$39 and \$24, respectively. Amortization expense for the periods ended October 31, 2016 and 2015 was \$7. Estimated future amortization expense is as follows:

| <u>Year ending April 30,</u> | <u>Amortization Expense</u> |
|----------------------------------|---------------------------------|
| 2017 | \$ 7 |
| 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 \$318 and \$294 for the periods ended October 31, 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 \$1 for the periods ended October 31, 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
October 31, 2016 and 2015
(in Thousands)**

Note 2 - Accounts receivable

Accounts receivable are comprised of the following as of October 31, 2016 and 2015:

| | 2016 | 2015 |
|--|-------------------------|-------------------------|
| Membership fees | \$ 12,210 | \$ 14,159 |
| Annual charges | 2,059 | 1,821 |
| Other | 425 | 179 |
| Total accounts receivable | 14,694 | 16,159 |
| Less reserves for abatements and allowance for doubtful accounts | 2,799 | 2,701 |
| | <u><u>\$ 11,895</u></u> | <u><u>\$ 13,458</u></u> |

Note 3 - Investments and other assets

Risk management fund

Investments included in the risk management fund are held by a Trustee and are combined in a portfolio, which consists of the following as of October 31, 2016 and 2015:

| | 2016 | | 2015 | |
|----------------------------|------------------------|------------------------|------------------------|------------------------|
| | Cost | Fair value | Cost | Fair value |
| Cash and cash equivalents | \$ 403 | \$ 403 | \$ 1,332 | \$ 1,332 |
| Government debt securities | 6,065 | 6,060 | 5,176 | 5,133 |
| Accrued interest | 6 | 6 | - | - |
| | <u><u>\$ 6,474</u></u> | <u><u>\$ 6,469</u></u> | <u><u>\$ 6,508</u></u> | <u><u>\$ 6,465</u></u> |

Workers' compensation fund

Investments included in the workers' compensation fund are held by a Trustee in a portfolio, which consists of the following as of October 31, 2016 and 2015:

| | 2016 | | 2015 | |
|----------------------------|------------------------|------------------------|------------------------|------------------------|
| | Cost | Fair value | Cost | Fair value |
| Cash and cash equivalents | \$ 107 | \$ 107 | \$ 98 | \$ 98 |
| Government debt securities | 2,874 | 2,887 | 2,755 | 2,759 |
| | <u><u>\$ 2,981</u></u> | <u><u>\$ 2,994</u></u> | <u><u>\$ 2,853</u></u> | <u><u>\$ 2,857</u></u> |

Note 4 - Fair value measurements

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

Columbia Association, Inc.

**Notes to Financial Statements
October 31, 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 October 31, 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* | \$ - | \$ 8,947 | \$ 8,947 |

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of October 31, 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* | \$ - | \$ 7,892 | \$ 7,892 |

Columbia Association, Inc.

**Notes to Financial Statements
October 31, 2016 and 2015
(in Thousands)**

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

Note 5 - Property, facilities and equipment, net

Property, facilities and equipment consist of the following as of October 31, 2016 and 2015:

| | 2016 | 2015 |
|--|-----------------------|-----------------------|
| | <u> </u> | <u> </u> |
| Land | \$ 6,533 | \$ 6,533 |
| Parks, lakes and related improvements | 10,400 | 10,400 |
| Land improvements | 71,565 | 69,902 |
| Buildings and recreation facilities | 108,389 | 104,391 |
| Furniture, equipment and other | 29,858 | 29,350 |
| Construction-in-progress | <u>9,537</u> | <u>8,395</u> |
| Total property, facilities and equipment | 236,282 | 228,971 |
| Less accumulated depreciation | <u>119,727</u> | <u>114,635</u> |
| Property, facilities and equipment, net | <u>\$ 116,555</u> | <u>\$ 114,336</u> |

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 2017 and 2016) 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 3.5% and 2.5% for fiscal years 2017 and 2016, respectively.

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

| | |
|------|---------------|
| 2017 | \$ 10,970,394 |
| 2016 | 10,576,895 |

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 (1.08% and 0.74% as of October 31, 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 \$-0- outstanding under the line of credit as of October 31, 2016 and 2015.

The Association had \$-0- and \$230 in letters of credit issued through a bank as of October 31, 2016 and 2015, respectively, none of which has been drawn upon.

Columbia Association, Inc.

**Notes to Financial Statements
October 31, 2016 and 2015
(in Thousands)**

Note 8 - Term debt

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 October 31, 2016, the future loan principal payments are as follows:

| | | |
|---------------------|----|---------------|
| 2017 | \$ | 823 |
| 2018 | | 1,690 |
| 2019 | | 1,753 |
| 2020 | | 1,817 |
| 2021 and thereafter | | <u>20,404</u> |
| Total | \$ | <u>26,487</u> |

Interest expense capitalized was \$7 and \$12 during the periods ended October 31, 2016 and 2015, respectively.

Capital lease obligation

The cost and accumulated amortization of equipment under capital leases were \$831 and \$590, respectively, as of October 31, 2016, and \$1,112 and \$890, respectively, as of October 31, 2015. As of October 31, 2016, the future minimum annual payments under capital leases are as follows:

| | | |
|---|----|------------|
| 2017 | \$ | 52 |
| 2018 | | 71 |
| 2019 | | 71 |
| 2020 | | 70 |
| 2021 and thereafter | | <u>6</u> |
| Total minimum lease payments | | 270 |
| Less: amount representing interest | | <u>(5)</u> |
| Present value of net minimum lease payments | \$ | <u>265</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 \$490 and \$572 for the periods ended October 31, 2016 and 2015, respectively.

Note 10 - Commitments

The Association leases certain facilities and equipment under operating leases. Rental expense, exclusive of these costs, was \$967 and \$866 for the periods ended October 31, 2016 and 2015, respectively.

Columbia Association, Inc.

**Notes to Financial Statements
October 31, 2016 and 2015
(in Thousands)**

As of October 31, 2016, the Association's total commitment for minimum annual rentals, exclusive of maintenance and other occupancy costs, under noncancellable operating leases is:

| | | |
|---------------------|----|---------------|
| 2017 | \$ | 746 |
| 2018 | | 1,517 |
| 2019 | | 1,547 |
| 2020 | | 1,578 |
| 2021 and thereafter | | <u>11,216</u> |
| Total | \$ | <u>16,604</u> |

The lease for the headquarters building located on Hillside Court includes a rent abatement for the period September 1, 2015 to October 31, 2016 valued at \$460. Accrued abatements of \$441 and \$115 were included in accounts payable and accrued expenses as of October 31, 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 \$346 and \$364 were included in accounts payable and accrued expenses as of October 31, 2016 and 2015, respectively. The lease also includes a tenant improvement allowance of \$1,378. Accrued allowances of \$1,236 and \$1,301 were included in accounts payable as of October 31, 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.

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:

Columbia Association, Inc.

**Notes to Financial Statements
October 31, 2016 and 2015
(in Thousands)**

| | | | |
|--|-----------|------------|---------------|
| 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 | | <u>(6)</u> | <u>(5)</u> |
| Obligation at end of year | <u>\$</u> | <u>704</u> | <u>\$ 654</u> |
| Amount not recognized in net period postretirement benefit cost: | | | |
| Unrecognized prior service credit | \$ | (25) | \$ (26) |
| Unrecognized gain | | <u>48</u> | <u>48</u> |
| Total amount recognized in net periodic postretirement benefit costs | <u>\$</u> | <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 | | <u>1</u> | <u>1</u> |
| Net periodic postretirement benefit cost | <u>\$</u> | <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
October 31, 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 \$1,361 and \$1,395 are included in accrued expenses as of October 31, 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 \$2,147 and \$2,130 are included in accrued expenses as of October 31, 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 October 31, 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.