

**Columbia Association, Inc.**

**Financial Statements  
and Independent Auditor's Report**

**April 30, 2017 and 2016**

PRELIMINARY DRAFT -  
SUBJECT TO CHANGE

**Columbia Association, Inc.**

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PRELIMINARY DRAFT -  
SUBJECT TO CHANGE

Independent Auditor's Report

To The Board of Directors  
Columbia Association, Inc.

We have audited the accompanying financial statements of Columbia Association, Inc., which comprise the statements of financial position as of April 30, 2017 and 2016, and the related statements of activities and change in net assets and statements of 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, 2017 and 2016, and the change 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.

Bethesda, Maryland  
July 28, 2017

**Columbia Association, Inc.**  
**Statements of Financial Position**  
**April 30, 2017 and 2016**  
**(in Thousands)**

	<u>Assets</u>	2017	2016
Cash and cash equivalents	\$	1,845	\$ 702
Accounts receivable, net		7,255	12,055
Prepaid expenses and other assets		1,726	1,543
Risk management fund		6,480	6,452
Workers' compensation fund		3,229	2,979
Property, facilities and equipment, net		117,690	115,006
Intangible assets, net		319	319
		<hr/>	<hr/>
Total assets	\$	138,544	\$ 139,056
		<hr/> <hr/>	<hr/> <hr/>
	<u>Liabilities and Net Assets</u>		
Liabilities			
Line of credit	\$	-	\$ 307
Accounts payable and accrued expenses		12,847	11,860
Deferred revenue		8,544	13,352
		<hr/>	<hr/>
		21,391	25,519
		<hr/>	<hr/>
Term debt			
Term loan, net of deferred financing costs		25,566	27,180
Capital lease obligations		475	347
		<hr/>	<hr/>
Total term debt		26,041	27,527
		<hr/>	<hr/>
Total liabilities		47,432	53,046
		<hr/>	<hr/>
Net assets			
Unrestricted		91,112	86,010
		<hr/>	<hr/>
Total liabilities and net assets	\$	138,544	\$ 139,056
		<hr/> <hr/>	<hr/> <hr/>

See Notes to Financial Statements.

**Columbia Association, Inc.**

**Statements of Activities and Change in Net Assets**  
**Years Ended April 30, 2017 and 2016**  
**(in Thousands)**

	2017	2016
Revenue		
Property assessments	\$ 37,122	\$ 36,005
Sport and fitness	26,384	26,314
Community services	4,416	4,178
Communications and marketing	-	16
Open space and facility services	783	562
Village community associations	14	35
Interest income and other	145	66
Unrealized gain on marketable securities	15	32
	<u>68,879</u>	<u>67,208</u>
Total revenue		
Expenses		
Sport and fitness	27,774	27,726
Community services	5,751	5,434
Communications and marketing	2,785	2,325
Open space and facility services	13,050	12,568
Village community associations	4,669	4,553
Administrative	8,769	9,067
Interest	979	1,074
	<u>63,777</u>	<u>62,747</u>
Total expenses		
Increase in unrestricted net assets	5,102	4,461
Unrestricted net assets, beginning	<u>86,010</u>	<u>81,549</u>
Unrestricted net assets, end	<u>\$ 91,112</u>	<u>\$ 86,010</u>

See Notes to Financial Statements.

**Columbia Association, Inc.**

**Statements of Cash Flows**  
**Years Ended April 30, 2017 and 2016**  
**(in Thousands)**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Increase in unrestricted net assets	\$ 5,102	\$ 4,461
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities		
Depreciation expense and amortization	9,244	8,779
Bad debt expense	250	187
Amortization of deferred financing costs	15	15
Loss on disposal of fixed assets	203	135
Unrealized gain on marketable securities	(15)	(32)
Changes in operating assets and liabilities		
Accounts receivable	4,550	882
Prepaid expenses and other assets	(183)	23
Accounts payable and accrued expenses	987	(467)
Deferred revenue	(4,808)	(854)
Net cash provided by operating activities	<u>15,345</u>	<u>13,129</u>
Cash flows from investing activities		
Net purchases of investments held by trustees	(263)	(62)
Purchase of property, facilities and equipment	(12,281)	(9,955)
Proceeds from the sale of equipment	150	45
Net cash used in investing activities	<u>(12,394)</u>	<u>(9,972)</u>
Cash flows from financing activities		
Repayments of line of credit, net	(307)	(922)
Principal payments on capital lease obligations, net	128	(131)
Principal payments on term loan	(1,629)	(1,567)
Net cash used in financing activities	<u>(1,808)</u>	<u>(2,620)</u>
Net increase in cash and cash equivalents	1,143	537
Cash and cash equivalents, beginning	<u>702</u>	<u>165</u>
Cash and cash equivalents, end	<u>\$ 1,845</u>	<u>\$ 702</u>
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	<u>\$ 992</u>	<u>\$ 1,058</u>
Supplemental disclosure of noncash investing and financing activities		
Assets acquired under capital lease	<u>\$ 559</u>	<u>\$ 268</u>

See Notes to Financial Statements.

**Columbia Association, Inc.**

**Notes to Financial Statements  
April 30, 2017 and 2016  
(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 management 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 management estimate of the ultimate cost of both asserted and unasserted claims from 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 level of the funding is periodically reviewed by the State of Maryland Workers' Compensation Commission and by independent actuaries.

**Columbia Association, Inc.**

**Notes to Financial Statements**  
**April 30, 2017 and 2016**  
**(in Thousands)**

**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	3 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 April 30, 2017 and 2016, 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.

**Deferred financing costs**

During the year ended April 30, 2017, the Association adopted provisions of Accounting Standards Update ("ASU") 2015-03. In accordance with ASU 2015-03, *Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are now presented in the statements of financial position as a reduction of term debt. Previously, such costs were shown as a deferred charge, and 2016 amounts have been reclassified as reductions in long term debt, as described in Note 8.

The Association continues to reflect amortization of debt issuance costs as interest expense, in accordance with ASU 2015-03. The change had no effect on previously reported net assets or changes in net assets.

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, 2017 and 2016 was \$46 and \$32, respectively. Amortization expense for the years ended April 30, 2017 and 2016 was \$15 and \$16, respectively.



**Columbia Association, Inc.**

**Notes to Financial Statements**  
**April 30, 2017 and 2016**  
**(in Thousands)**

Estimated future amortization expense is as follows:

Year ending April 30,	Amortization expense
2018	\$ 14
2019	13
2020	12
2021	11
2022	10

**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 \$754 and \$646 for the years ended April 30, 2017 and 2016, 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 \$2 and \$5 for the years ended April 30, 2017 and 2016.

**Subsequent events**

The Association evaluated subsequent events through July 28, 2017, the date the financial statements were available to be issued.

**Columbia Association, Inc.**

**Notes to Financial Statements**  
**April 30, 2017 and 2016**  
(in Thousands)

**Note 2 - Accounts receivable**

Accounts receivable are comprised of the following as of April 30, 2017 and 2016:

	2017	2016
Membership fees	\$ 7,941	\$ 13,653
Annual charges	785	666
Other	372	437
Total accounts receivable	9,098	14,756
Less reserves for abatements and allowance	1,843	2,701
	\$ 7,255	\$ 12,055

**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, 2017 and 2016:

	2017		2016	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 316	\$ 316	\$ 349	\$ 349
Government debt securities	6,159	6,150	6,129	6,103
Accrued interest	14	14	-	-
	\$ 6,489	\$ 6,480	\$ 6,478	\$ 6,452

**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, 2017 and 2016:

	2017		2016	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 105	\$ 105	\$ 77	\$ 77
Government debt securities	3,118	3,124	2,894	2,902
	\$ 3,223	\$ 3,229	\$ 2,971	\$ 2,979

**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, 2017 and 2016  
(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, 2017:

	Fair value measurements using		Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	
Government debt securities*	\$ -	\$ 9,274	\$ 9,274

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

**Columbia Association, Inc.**

**Notes to Financial Statements  
April 30, 2017 and 2016  
(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 April 30, 2017 and 2016:

	2017	2016
Land	\$ 6,533	\$ 6,533
Parks, lakes and related improvements	10,400	10,400
Land improvements	75,435	71,456
Buildings and recreation facilities	112,296	108,853
Furniture, equipment and other	30,793	29,651
Construction-in-progress	5,538	4,764
	<hr/>	<hr/>
Total property, facilities and equipment	240,995	231,657
	<hr/>	<hr/>
Less accumulated depreciation	123,305	116,651
	<hr/>	<hr/>
Property, facilities and equipment, net	\$ 117,690	\$ 115,006
	<hr/>	<hr/>

**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 (1.53% and 0.99% as of April 30, 2017 and 2016, 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- and \$307 outstanding under the line of credit as of April 30, 2017 and 2016, respectively.

The Association had \$-0- and \$230 in letters of credit issued through a bank as of April 30, 2017 and 2016, respectively, none of which has been drawn upon.

**Columbia Association, Inc.**

**Notes to Financial Statements**  
**April 30, 2017 and 2016**  
**(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 April 30, 2017, the future loan principal payments are as follows:

2018	\$	1,690
2019		1,753
2020		1,817
2021		1,887
2022 and thereafter		<u>18,517</u>
Total term loan		25,664
Less deferred financing costs, net		<u>(98)</u>
Term loan, net	\$	<u>25,566</u>

Interest expense capitalized was \$27 and \$-0- during the years ended April 30, 2017 and 2016, respectively. Interest expense incurred was \$977 and \$1,039 during the years ended April 30, 2017 and 2016, respectively.

**Capital lease obligation**

The cost and accumulated amortization of equipment under capital leases were \$590 and \$202, respectively, as of April 30, 2017, and \$831 and \$516, respectively, as of April 30, 2016. As of April 30, 2017, the future minimum annual payments under capital leases are as follows:

2018	\$	143
2019		143
2020		143
2021		<u>54</u>
Total minimum lease payments		483
Less: amount representing interest		<u>(8)</u>
Present value of net minimum lease payments	\$	<u>475</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 \$1,048 and \$1,120 for the periods ended April 30, 2017 and 2016, respectively.

**Columbia Association, Inc.**

**Notes to Financial Statements**  
**April 30, 2017 and 2016**  
**(in Thousands)**

**Note 10 - Commitments**

The Association leases certain facilities and equipment under operating leases. Rental expense was \$1,915 and \$1,729 for the years ended April 30, 2017 and 2016, respectively.

The Association records rent expense using the straight-line method over the life of the lease terms, which differs from the amount of rent due under the terms of the leases, resulting in a deferred rent payable, of \$310 and \$-0-, which was included in accounts payable and accrued expenses as of April 30, 2017 and 2016, respectively.

As of April 30, 2017, the Association's total commitment for minimum annual rentals, exclusive of maintenance and other occupancy costs, under noncancellable operating leases is:

2018	\$	1,517
2019		1,547
2020		1,578
2021		1,610
2022 and thereafter		<u>9,604</u>
Total	\$	<u>15,856</u>

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 \$399 and \$460 were included in accounts payable and accrued expenses as of April 30, 2017 and 2016, 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 \$292 and \$355 were included in accounts payable and accrued expenses as of April 30, 2017 and 2016, respectively. The lease also includes a tenant improvement allowance of \$1,378. Accrued allowances of \$1,043 and \$1,268 were included in accounts payable as of April 30, 2017 and 2016, 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**  
**April 30, 2017 and 2016**  
**(in Thousands)**

The discount rate was 4.45% and 5.60% as of April 30, 2017 and 2016. The gross trend rate for health care coverage is 10.0% grading to 4.45% 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>2017</u>	<u>2016</u>
Reconciliation of benefit obligations		
Obligation at beginning of year	\$ 704	\$ 654
Service cost	28	27
Interest cost	27	29
Actuarial gain	(72)	-
Benefit payments	<u>(9)</u>	<u>(6)</u>
Obligation at end of year	<u>\$ 678</u>	<u>\$ 704</u>
Amount not recognized in net period postretirement benefit cost:		
Unrecognized prior service credit	\$ 15	\$ 30
Unrecognized gain	<u>111</u>	<u>48</u>
Total amount recognized in net periodic postretirement benefit costs	<u>\$ 126</u>	<u>\$ 78</u>
Net periodic postretirement benefit costs include		
Service cost	\$ 28	\$ 27
Interest cost	27	29
Amortization of net gain from prior periods	(8)	-
Amortization of unrecognized prior service cost	<u>(15)</u>	<u>1</u>
Net periodic postretirement benefit cost	<u>\$ 32</u>	<u>\$ 57</u>
	<u>1% increase</u>	<u>1% decrease</u>
Effect on total service and interest cost components of net periodic postretirement health care benefit cost	\$ 7	\$ (6)
Effect on the health care component of the accumulated postretirement benefit obligation	84	(73)

**Columbia Association, Inc.**

**Notes to Financial Statements  
April 30, 2017 and 2016  
(in Thousands)**

The following is a projection of expected future benefits under the plan:

2018	\$	19
2019		21
2020		33
2021		39
2022		51
2023-2027		<u>326</u>
	\$	<u>489</u>

**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 \$1,369 are included in accounts payable and accrued expenses as of April 30, 2017 and 2016, 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 \$2,314 and \$2,224 are included in accounts payable and accrued expenses as of April 30, 2017 and 2016, 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, 2017.

**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.