

**Columbia Association, Inc.**

**Financial Statements**

**April 30, 2019 and 2018**

**Columbia Association, Inc.**

Index

Page

Independent Auditors' Report

1

Financial Statements

Statements of Financial Position

3

Statements of Activities

4

Statements of Functional Expenses

5

Statements of Cash Flows

7

Notes to Financial Statements

8



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Columbia Association, Inc.  
Columbia, Maryland

We have audited the accompanying financial statements of Columbia Association, Inc. (the Association), which comprise the statements of financial position as of April 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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.

### **Auditors' 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 audit 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 auditors' 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.

Board of Directors  
Columbia Association, Inc.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of April 30, 2019 and 2018, 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.

**Other Matters**

*Effect of Adopting New Accounting Standard*

As discussed in Note 1 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
July 31, 2019

**Columbia Association, Inc.**  
**Statements of Financial Position**  
**April 30, 2019 and 2018**  
**(in Thousands)**

Assets

	2019	2018
Cash and cash equivalents	\$ 99	\$ 68
Accounts receivable, net	2,944	3,188
Prepaid expenses and other assets	1,707	1,663
Risk management fund	6,596	6,478
Workers' compensation fund	3,544	3,487
Property, facilities and equipment, net	135,600	130,293
Intangible assets, net	319	319
 Total assets	 \$ 150,809	 \$ 145,496

Liabilities and Net Assets

Liabilities

Line of credit	\$ 11,001	\$ 5,905
Accounts payable and accrued expenses	13,791	15,472
Deferred revenue	4,466	4,524
	29,258	25,901
 Term debt		
Term loan, net of deferred financing costs	22,150	23,890
Capital lease obligations	195	335
Total term debt	22,345	24,225
Total liabilities	51,603	50,126
Net assets		
Net assets without donor restrictions	99,206	95,370
Total net assets	99,206	95,370
 Total liabilities and net assets	 \$ 150,809	 \$ 145,496

See Notes to Financial Statements.

**Columbia Association, Inc.**

**Statements of Activities  
Years Ended April 30, 2019 and 2018  
(in Thousands)**

	<u>2019</u>	<u>2018</u>
Revenue		
Annual charge	\$ 40,867	\$ 38,849
Sport and fitness	26,264	25,697
Community services	4,790	4,680
Communications and marketing	153	165
Open space and facility services	778	981
Village community associations	(82)	9
Interest income and other	164	252
Unrealized (loss) gain on marketable securities	60	(3)
	<u>72,994</u>	<u>70,630</u>
Expenses		
Program services:		
Sport and fitness	30,213	28,710
Community services	6,558	6,291
Communications and marketing	2,843	2,937
Open space and facility services	14,315	14,149
Village community associations	5,145	4,910
Total program services	59,074	56,997
Supporting services:		
Administrative	10,084	9,375
Total expenses	69,158	66,372
Increase in net assets without donor restrictions	3,836	4,258
Net assets without donor restrictions, beginning of year	<u>95,370</u>	<u>91,112</u>
Net assets without donor restrictions, ending of year	<u>\$ 99,206</u>	<u>\$ 95,370</u>

See Notes to Financial Statements.

**Columbia Association, Inc.**

**Statements of Functional Expenses  
Year Ended April 30, 2019  
(in Thousands)**

	<b>Sport and Fitness</b>	<b>Community Services</b>	<b>Communication and Marketing</b>	<b>Open Space and Facility Services</b>	<b>Village Community Associations</b>	<b>Total Program</b>	<b>Administrative</b>	<b>Total</b>
Salary & Wages	\$ 11,946	\$ 3,490	\$ 1,369	\$ 4,293	\$ -	\$ 21,098	\$ 4,899	\$ 25,997
Annual Performance Incentives	6	1	3	1	-	11	21	32
Contract Labor	13	-	3	-	-	16	15	31
Payroll Taxes	1,019	286	106	324	-	1,735	345	2,080
Employee Benefits	1,282	380	232	829	-	2,723	820	3,543
Cost Of Sales	332	12	1	-	-	345	-	345
Operating Supplies/Expenses	1,892	597	1,624	550	21	4,684	430	5,114
Insurance	236	38	-	223	30	527	130	657
Fees	843	971	268	2,192	416	4,690	1,353	6,043
Rentals	1,205	237	248	139	7	1,836	397	2,233
Taxes	512	2	1	8	2	525	24	549
Utilities	1,326	81	19	99	10	1,535	509	2,044
Repairs & Maintenance	2,469	132	75	1,627	446	4,749	727	5,476
Comm. Assoc. Annual Charge Share Grant	-	-	-	-	3,226	3,226	-	3,226
Depreciation	5,682	139	42	3,692	913	10,468	379	10,847
Allocations	1,450	192	(1,148)	338	74	906	35	941
<b>Total functional expenses</b>	<b>30,213</b>	<b>6,558</b>	<b>2,843</b>	<b>14,315</b>	<b>5,145</b>	<b>59,074</b>	<b>10,084</b>	<b>69,158</b>

See Notes to Financial Statements.

**Columbia Association, Inc.**

**Statements of Functional Expenses  
Year Ended April 30, 2018  
(in Thousands)**

	<b>Sport and Fitness</b>	<b>Community Services</b>	<b>Communication and Marketing</b>	<b>Open Space and Facility Services</b>	<b>Village Community Associations</b>	<b>Total Program</b>	<b>Administrative</b>	<b>Total</b>
Salary & Wages	\$ 11,231	\$ 3,321	\$ 1,465	\$ 4,180	\$ -	\$ 20,197	\$ 4,543	\$ 24,740
Annual Performance Incentives	10	-	2	8	-	20	27	47
Contract Labor	5	1	-	-	-	6	21	27
Payroll Taxes	959	277	114	280	-	1,630	318	1,948
Employee Benefits	1,193	371	238	788	-	2,590	740	3,330
Cost Of Sales	378	16	14	-	-	408	1	409
Operating Supplies/Expenses	1,837	665	1,860	620	-	4,982	499	5,481
Insurance	214	34	-	227	28	503	120	623
Fees	623	972	195	2,023	416	4,229	1,208	5,437
Rentals	1,187	251	232	148	1	1,819	412	2,231
Taxes	416	2	-	7	3	428	25	453
Utilities	1,532	78	15	109	11	1,745	439	2,184
Repairs & Maintenance	2,430	176	61	1,832	305	4,804	722	5,526
Comm. Assoc. Annual Charge Share Grant	-	-	-	-	3,220	-	-	-
						3,220		3,220
Depreciation	4,972	116	33	3,514	851	9,486	437	9,923
Allocations	1,723	11	(1,292)	413	75	930	(137)	793
<b>Total functional expenses</b>	<b>28,710</b>	<b>6,291</b>	<b>2,937</b>	<b>14,149</b>	<b>4,910</b>	<b>56,997</b>	<b>9,375</b>	<b>66,372</b>

See Notes to Financial Statements.



**Columbia Association, Inc.**  
**Statements of Cash Flows**  
**Years Ended April 30, 2019 and 2018**  
**(in Thousands)**

	2019	2018
Cash flows from operating activities		
Increase in unrestricted net assets	\$ 3,836	\$ 4,258
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities		
Depreciation expense and amortization	10,847	9,923
Bad debt expense	327	602
Amortization of deferred financing costs	13	14
Loss on disposal of fixed assets	1,149	1,170
Unrealized loss (gain) on marketable securities	(60)	3
Changes in operating assets and liabilities		
Accounts receivable	(83)	3,465
Prepaid expenses and other assets	(44)	63
Accounts payable and accrued expenses	(1,681)	2,625
Deferred revenue	(58)	(4,020)
Net cash provided by operating activities	14,246	18,103
Cash flows from investing activities		
Purchases of investments held by trustees	(15,637)	(17,241)
Proceeds from maturities of investments held by trustees	15,522	16,982
Purchase of property, facilities and equipment	(17,533)	(23,774)
Proceeds from the sale of equipment	230	78
Net cash used in investing activities	(17,418)	(23,955)
Cash flows from financing activities		
Net borrowings (repayments) under line of credit	5,096	5,905
Principal payments on capital lease obligations	(140)	(140)
Principal payments on term loan	(1,753)	(1,690)
Net cash provided by (used in) financing activities	3,203	4,075
Net (decrease) increase in cash and cash equivalents	31	(1,777)
Cash and cash equivalents, beginning	68	1,845
Cash and cash equivalents, ending	\$ 99	\$ 68
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 917	\$ 942

See Notes to Financial Statements.

**Columbia Association, Inc.**

**Notes to Financial Statements  
April 30, 2019 and 2018  
(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 year. Accounts receivable also include annual charge balances, which are collateralized by the related property.

The carrying amount of accounts receivable is reduced by a valuation allowance. The reserve for abatements and allowance for doubtful accounts is based on management's assessment of the collectability of specific 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 April 30, 2019 and 2018 (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 and estimated losses from unreported 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 3,600 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.

Assets	Estimated useful lives
Building and recreational facilities	10 to 40 years
Land improvements	20 to 25 years
Furniture, equipment and other	3 to 10 years

Expenditures are capitalized if the expenditure results in a new asset with a useful life of at least two years and meets the monetary threshold or represents an addition to an existing asset that materially improves or extends the asset beyond its original intended function or increases the useful life by at least two years. The monetary threshold is defined as \$2,500 for a single item except for certain equipment or livestock, which should be capitalized if a single item costs at least \$1,500. This includes an expenditure that is for a group of identical or coordinating items with a total cost of at least \$2,500 that are purchased together and replaced at the same time.

Accounting for the Impairment or Disposal of Long-Lived Assets, 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, 2019 and 2018, respectively.

#### Intangible assets

Goodwill relates to the purchase of land. The annual charge resulting 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, 2019 and 2018**  
**(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, 2019 and 2018 was \$73 and \$60, respectively. Amortization expense for the periods ended April 30, 2019 and 2018 was \$13 and \$14, respectively. Estimated future amortization expense is as follows:

Year ending April 30,	Amortization expense
2020	\$ 12
2021	11
2022	10
2023	9
2024	8
2025 and thereafter	21
	<u>\$ 71</u>

**Revenue recognition**

Annual charge revenue consists 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 \$849 and \$670 for the periods ended April 30, 2019 and 2018, respectively.

**Columbia Association, Inc.**

**Notes to Financial Statements  
April 30, 2019 and 2018  
(in Thousands)**

**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* 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 \$0 for the periods ended April 30, 2019 and 2018.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, costs have been allocated among the programs and supporting services that benefit from those costs.

**Reclassifications**

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

**Subsequent events**

The Association evaluated subsequent events through July 31, 2019, the date the financial statements were available to be issued.

**Change in Accounting Principle**

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. All changes have been applied retrospectively as required, with the exception of the presentation of the liquidity disclosure included in Note 5, which has been applied prospectively to 2019 as permitted by the accounting standards update.

**Columbia Association, Inc.**

**Notes to Financial Statements**  
**April 30, 2019 and 2018**  
(in Thousands)

**Note 2 - Accounts receivable**

Accounts receivable are comprised of the following as of April 30, 2019 and 2018:

	2019	2018
Membership fees	\$ 2,594	\$ 3,007
Annual charges	691	847
Other	571	579
 Total accounts receivable	 3,856	 4,433
Less reserves for abatements and allowance for doubtful accounts	912	1,245
	\$ 2,944	\$ 3,188

**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, 2019 and 2018:

	2019		2018	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 50	\$ 50	\$ 134	\$ 134
Government debt securities	6,448	6,485	6,335	6,319
Accrued interest	61	61	25	25
	\$ 6,559	\$ 6,596	\$ 6,494	\$ 6,478

**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, 2019 and 2018:

	2019		2018	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 165	\$ 165	\$ 120	\$ 120
Government debt securities	3,351	3,364	3,358	3,362
Accrued interest	15	15	5	5
	\$ 3,531	\$ 3,544	\$ 3,483	\$ 3,487

**Columbia Association, Inc.**

**Notes to Financial Statements**  
**April 30, 2019 and 2018**  
**(in Thousands)**

**Note 4 - Fair value measurements**

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

Professional guidance 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. The 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, 2019:

	Fair value measurements using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total
Government debt securities*	\$ -	\$ 9,849	\$ 9,849

**Columbia Association, Inc.**

**Notes to Financial Statements  
April 30, 2019 and 2018  
(in Thousands)**

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of April 30, 2018:

	Fair value measurements using		Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	
Government debt securities*	\$ -	\$ 9,681	\$ 9,681

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

**Note 5 – Liquidity**

Columbia Association, Inc. financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Total assets at year end	\$ 150,809
Less:	
Prepaid expenses and other assets	\$ 1,707
Risk management fund	6,596
Workers' compensation fund	3,544
Property, facilities and equipment, net	135,600
Intangible assets, net	319
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,043

Columbia Association has \$3,043 of financial assets available within one year on the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$99 and accounts receivable of \$2,944. Accounts receivable consist principally of membership fees receivable, which are uncollateralized and generally have a term of one year. Accounts receivable also include annual charge balances, which are collateralized by the related property. None of the financial assets are subject to any contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position.

In addition, in the event of unanticipated liquidity needs, CA has a line of credit in the amount of \$33,000 of which \$11,001 was committed as of April 30, 2019. This line of credit is used to meet liquidity needs.



**Columbia Association, Inc.**

**Notes to Financial Statements**  
**April 30, 2019 and 2018**  
**(in Thousands)**

Columbia Association's operating activity generates positive cash flow of approximately \$15,590 based on a five year average of cash provided by operating activities. The cash is used to fund capital projects and debt service. Any additional funds needed for approved expenditures are obtained from line of credit borrowings.

**Note 6 - Property, facilities and equipment, net**

Property, facilities and equipment consist of the following as of April 30, 2019 and 2018:

	2019	2018
Land	\$ 6,533	\$ 6,533
Parks, lakes and related improvements	10,387	10,391
Land improvements	83,191	77,990
Buildings and recreation facilities	135,579	127,833
Furniture, equipment and other	29,212	31,133
Construction-in-progress	3,581	5,261
Total property, facilities and equipment	268,483	259,141
Less accumulated depreciation	132,883	128,848
Property, facilities and equipment, net	\$ 135,600	\$ 130,293

**Note 7 - Annual charge**

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 2019 and 2018) 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% for fiscal years 2019 and 2018.

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

2019	\$ 11,898,862
2018	11,371,188

**Note 8 - 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 \$33,000. The outstanding note bears interest at the lower of the bank's prime rate or LIBOR plus 55 basis points (3.03% and 2.45% as of April 30, 2019 and 2018, 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 \$11,001 and \$5,905 outstanding under the line of credit as of April 30, 2019 and 2018.

**Columbia Association, Inc.**

**Notes to Financial Statements**  
**April 30, 2019 and 2018**  
**(in Thousands)**

**Note 9 - 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, 2019, the future loan principal payments are as follows:

2020	\$	1,817
2021		1,887
2022		1,957
2023		2,031
2024		2,105
2025 and thereafter		<u>12,424</u>
Total term loan		22,221
Less deferred financing costs, net		<u>(71)</u>
Term loan, net	\$	<u><u>22,150</u></u>

**Capital lease obligation**

The cost and accumulated amortization of equipment under capital leases were \$574 and \$468, respectively, as of April 30, 2019, and \$574 and \$351, respectively, as of April 30, 2018. As of April 30, 2019, the future minimum annual payments under capital leases are as follows:

2020	\$	143
2021		<u>54</u>
Total minimum lease payments		197
Less amount representing interest		<u>(2)</u>
Present value of net minimum lease payments	\$	<u><u>195</u></u>

**Note 10 - 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 \$1,189 and \$1,149 for the periods ended April 30, 2019 and 2018, respectively.

**Columbia Association, Inc.**

**Notes to Financial Statements**  
**April 30, 2019 and 2018**  
**(in Thousands)**

**Note 11 - Commitments**

The Association leases certain facilities and equipment under operating leases. Rental expense, exclusive of these costs, was \$2,093 and \$2,084 for the periods ended April 30, 2019 and 2018, 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 \$486 and \$414, which was included in accounts payable and accrued expenses as of April 30, 2019 and 2018, respectively.

As of April 30, 2019, the Association's total commitment for minimum annual rentals, exclusive of maintenance and other occupancy costs, under non-cancellable operating leases is:

2020	\$	1,578
2021		1,610
2022		1,642
2023		1,675
2024		1,708
2025 and Thereafter		<u>4,579</u>
Total	\$	<u><u>12,792</u></u>

The lease for the headquarters building located on Hillside Court includes a rent abatement for the period September 1, 2015 to July 31, 2016 valued at \$460. Accrued abatements of \$327 and \$363 were included in accounts payable and accrued expenses as of April 30, 2019 and 2018, 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 \$222 and \$257 were included in accounts payable and accrued expenses as of April 30, 2019 and 2018, respectively. The lease also includes a tenant improvement allowance of \$1,378. Accrued allowances of \$913 and \$978 were included in accounts payable as of April 30, 2019 and 2018, 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 12 - 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 10<sup>th</sup> 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, 2019 and 2018**  
**(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:

	<u>2019</u>	<u>2018</u>
Reconciliation of benefit obligations		
Obligation at beginning of year	\$ 705	\$ 678
Service cost	32	31
Interest cost	29	27
Actuarial gain	-	-
Amortization of net loss	(5)	(5)
Amortization of unrecognized past service cost	(15)	(15)
Benefit payments	<u>(17)</u>	<u>(11)</u>
Obligation at end of year	<u>\$ 729</u>	<u>\$ 705</u>
Amount not yet recognized in net periodic postretirement benefit costs		
Unrecognized prior service credit	\$ -	\$ -
Unrecognized gain	<u>112</u>	<u>112</u>
Total amount not yet recognized in net periodic postretirement benefit costs	<u>\$ 112</u>	<u>\$ 112</u>
Net periodic postretirement benefit costs include		
Service cost	\$ 32	\$ 31
Interest cost	29	27
Amortization of net gain from prior periods	-	-
Amortization of unrecognized prior service cost	<u>15</u>	<u>(15)</u>
Net periodic postretirement benefit costs	<u>\$ 76</u>	<u>\$ 43</u>

The discount rate was 4.45% as of April 30, 2019 and 2018. The gross trend rate for health care coverage is 10.0% grading to 4.45% over five years.

**Columbia Association, Inc.**

**Notes to Financial Statements**  
**April 30, 2019 and 2018**  
**(in Thousands)**

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percent change in assumed health care cost trend rates would have the following effects:

	1% increase	1% decrease
Effect on total service and interest cost components of net periodic postretirement health care benefit cost	\$ 8	\$ (7)
Effect on the health care component of the accumulated postretirement benefit obligation	90	(79)

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

2020	\$	33
2021		39
2022		51
2023		54
2024		57
2025 - 2027		215
	\$	449

**Note 13 - 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 \$1,287 and \$1,327 are included in accrued expenses as of April 30, 2019 and 2018. 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 \$2,358 and \$2,366 are included in accrued expenses as of April 30, 2019 and 2018, respectively. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

**Columbia Association, Inc.**

**Notes to Financial Statements  
April 30, 2019 and 2018  
(in Thousands)**

**Note 14 - 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, 2019.

**Note 15 - 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.