

Columbia Association, Inc.
Financial Statements
October 31, 2019 and 2018

Columbia Association, Inc.

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Financial Statements

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Columbia Association, Inc.
Statements of Financial Position
October 31, 2019 and 2018
(in Thousands)

Assets

	2019	2018
Cash and cash equivalents	\$ 4,810	\$ 7,363
Accounts receivable, net	3,904	4,336
Prepaid expenses and other assets	2,096	2,325
Risk management fund	6,638	6,510
Workers' compensation fund	3,586	3,528
Property, facilities and equipment, net	140,373	133,909
Intangible assets, net	319	319
 Total assets	 \$ 161,726	 \$ 158,290

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	13,681	12,288
Deferred revenue	5,167	5,233
	18,848	17,521
 Term debt		
Term loan, net of deferred financing costs	21,256	23,028
Capital lease obligations	113	255
	21,369	23,283
 Total liabilities	 40,217	 40,804
Net assets		
Net assets without donor restrictions	121,509	117,486
	121,509	117,486
 Total net assets	 121,509	 117,486
 Total liabilities and net assets	 \$ 161,726	 \$ 158,290

See Notes to Financial Statements.

Columbia Association, Inc.

**Statements of Activities
October 31, 2019 and 2018
(in Thousands)**

	<u>2019</u>	<u>2018</u>
Revenue		
Annual charge	\$ 42,014	\$ 40,968
Sport and fitness	14,557	13,480
Community services	2,218	2,247
Communications and marketing	83	93
Open space and facility services	119	310
Village community associations	2	7
Interest income and other	204	417
Unrealized (loss) gain on marketable securities	<u>(7)</u>	<u>(249)</u>
Total revenue	<u>59,190</u>	<u>57,273</u>
Expenses		
Program services:		
Sport and fitness	16,317	15,563
Community services	4,165	3,872
Communications and marketing	1,119	1,165
Open space and facility services	8,032	7,226
Village community associations	<u>2,310</u>	<u>2,574</u>
Total program services	31,943	30,400
Supporting services:		
Administrative	<u>4,944</u>	<u>4,758</u>
Total expenses	<u>36,887</u>	<u>35,158</u>
Increase in net assets without donor restrictions	22,303	22,115
Net assets without donor restrictions, beginning	<u>99,206</u>	<u>95,371</u>
Net assets without donor restrictions, ending	<u>\$ 121,509</u>	<u>\$ 117,486</u>

See Notes to Financial Statements.

Columbia Association, Inc.

**Statements of Functional Expenses
October 31, 2019
(in Thousands)**

	Sport and Fitness	Community Services	Communication and Marketing	Open Space and Facility Services	Village Community Association	Total Program	Administrative	Total
Salary, Wages and Contract Labor	7,082	1,955	705	2,416	-	12,158	2,576	14,734
Annual Performance Incentives	1	2	-	-	-	3	19	22
Payroll Taxes	588	156	51	178	-	973	170	1,143
Employee Benefits	685	203	129	490	-	1,507	412	1,919
Operating Supplies/Expenses	814	233	324	260	4	1,635	139	1,774
Technology Supplies/Expenses	24	9	25	9	-	67	592	659
Collection and Treasury Expenses	98	58	180	(3)	-	333	52	385
Fees	282	202	117	1,495	86	2,182	390	2,572
Comm. Assoc. Annual Charge Share Grant	-	-	-	-	1,602	1,602	-	1,602
Temporary Funding & Grants Expense	-	927	-	-	-	927	10	937
Rentals	620	126	121	61	-	928	189	1,117
Utilities	757	42	8	47	3	857	185	1,042
Insurance & Taxes	391	20	2	124	23	560	81	641
Repairs & Maintenance	1,196	63	5	819	81	2,164	8	2,172
Depreciation	3,017	81	22	1,952	474	5,546	107	5,653
Allocations	762	88	(570)	184	37	501	14	515
Total functional expenses	16,317	4,165	1,119	8,032	2,310	31,943	4,944	36,887

See Notes to Financial Statements.

Columbia Association, Inc.

**Statements of Functional Expenses
October 31, 2018
(in Thousands)**

	Sport and Fitness	Community Services	Communication and Marketing	Open Space and Facility Services	Village Community Association	Total Program	Adminstrative	Total
Salary, Wages and Contract Labor	6,597	1,886	702	2,279	-	11,464	2,429	13,893
Annual Performance Incentives	3	-	1	1	-	5	3	8
Payroll Taxes	556	151	52	165	-	924	162	1,086
Employee Benefits	648	196	116	428	-	1,388	420	1,808
Operating Supplies/Expenses	792	264	390	294	11	1,751	155	1,906
Technology Supplies/Expenses	16	4	19	1	-	40	355	395
Collection and Treasury Expenses	173	50	266	-	-	489	69	558
Fees	457	196	113	1,058	245	2,069	362	2,431
Comm. Assoc. Annual Charge Share Grant	-	-	-	-	1,562	1,562	-	1,562
Temporary Funding & Grants Expense	-	720	-	-	-	720	-	720
Rentals	617	121	115	64	-	917	179	1,096
Utilities	677	39	10	49	3	778	300	1,078
Insurance & Taxes	322	20	-	116	16	474	77	551
Repairs & Maintenance	1,219	63	16	816	264	2,378	5	2,383
Depreciation	2,687	60	19	1,774	435	4,975	219	5,194
Allocations	799	102	(654)	181	38	466	23	489
Total functional expenses	15,563	3,872	1,165	7,226	2,574	30,400	4,758	35,158

See Notes to Financial Statements.

Columbia Association, Inc.

**Statements of Cash Flows
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(in Thousands)**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Increase in unrestricted net assets	\$ 22,303	\$ 22,115
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities		
Depreciation expense and amortization	5,654	5,194
Bad debt expense	28	220
Amortization of deferred financing costs	6	6
Loss (gain) on disposal of fixed assets	15	249
Unrealized loss (gain) on marketable securities	7	(11)
Changes in operating assets and liabilities		
Accounts receivable	(988)	(1,368)
Prepaid expenses and other assets	(389)	(662)
Accounts payable and accrued expenses	(110)	(3,184)
Deferred revenue	701	709
Net cash provided by operating activities	<u>27,227</u>	<u>23,268</u>
Cash flows from investing activities		
Purchases of investments held by trustees	(10,426)	(7,984)
Proceeds from maturities of investments held by trustees	10,335	7,922
Purchase of property, facilities and equipment	(10,485)	(9,185)
Proceeds from the sale of equipment	43	126
Net cash used in investing activities	<u>(10,533)</u>	<u>(9,121)</u>
Cash flows from financing activities		
Net borrowings (repayments) under line of credit	(11,001)	(5,905)
Net principal payments on capital lease obligations	(82)	(80)
Principal payments on term loan	(900)	(868)
Net cash provided by (used in) financing activities	<u>(11,983)</u>	<u>(6,853)</u>
Net (decrease) increase in cash and cash equivalents	4,711	7,294
Cash and cash equivalents, beginning	<u>99</u>	<u>68</u>
Cash and cash equivalents, ending	<u>\$ 4,810</u>	<u>\$ 7,362</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 517</u>	<u>\$ 482</u>

See Notes to Financial Statements.

Columbia Association, Inc.

**Notes to Financial Statements
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(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 property owners 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.

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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.

<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

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 October 31, 2019 and 2018, respectively.

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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.

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, 2019 and 2018 was \$79 and \$67, respectively. Amortization expense for the periods ended October 31, 2019 and 2018 was \$6 and \$6, respectively. Estimated future amortization expense is as follows:

Year ending April 30,	Amortization expense
2020	\$ 6
2021	11
2022	10
2023	9
2024	8
2025 and thereafter	21
	<u>\$ 65</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 \$299 and \$174 for the periods ended October 31, 2019 and 2018, 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* 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 October 31, 2019 and 2018.

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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 December 2, 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.

Note 2 - Accounts receivable

Accounts receivable are comprised of the following as of October 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Membership fees	\$ 2,831	\$ 2,924
Annual charges	1,463	1,841
Other	<u>509</u>	<u>519</u>
Total accounts receivable	4,803	5,284
Less reserves for abatements and allowance for doubtful accounts	<u>899</u>	<u>948</u>
	<u>\$ 3,904</u>	<u>\$ 4,336</u>

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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, 2019 and 2018:

	2019		2018	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 377	\$ 377	\$ 17	\$ 17
Government debt securities	6,161	6,193	6,448	6,444
Accrued interest	68	68	49	49
	<u>\$ 6,606</u>	<u>\$ 6,638</u>	<u>\$ 6,514</u>	<u>\$ 6,510</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, 2019 and 2018:

	2019		2018	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 150	\$ 150	\$ 156	\$ 156
Government debt securities	3,417	3,425	3,338	3,361
Accrued interest	11	11	11	11
	<u>\$ 3,578</u>	<u>\$ 3,586</u>	<u>\$ 3,505</u>	<u>\$ 3,528</u>

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

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- 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, 2019:

	Fair value measurements using		Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	
Government debt securities*	\$ -	\$ 9,618	\$ 9,618

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of October 31, 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*	\$ -	\$ 9,805	\$ 9,805

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

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**Notes to Financial Statements
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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 quarter end	\$ 161,726
Less:	
Prepaid expenses and other assets	2,096
Risk management fund	6,638
Workers' compensation fund	3,586
Property, facilities and equipment, net	140,373
Intangible assets, net	<u>319</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 8,714</u></u>

Columbia Association has \$8,714 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 \$4,810 and accounts receivable of \$3,904. Accounts receivable consist of annual charge balances, which are collateralized by the related property. Accounts receivable also include membership fees, which are uncollateralized and generally have a term of one year. 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 \$30,000 of which \$-0- was committed as of October 31, 2019. This line of credit is used to meet liquidity needs.

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.

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**Notes to Financial Statements
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Note 6 - Property, facilities and equipment

Property, facilities and equipment consist of the following as of October 31, 2019:

	Cost basis		Accumulated depreciation		Book value
Land	\$ 16,920	\$	-	\$	16,920
Buildings	130,992		67,165		63,827
Leasehold Improvements	5,571		2,285		3,286
Equipment	24,070		17,921		6,149
Other	99,979		49,788		50,191
Property, facilities and equipment	\$ 277,532	\$	137,159	\$	140,373

Property, facilities and equipment consist of the following as of October 31, 2018:

	Cost basis		Accumulated depreciation		Book value
Land	\$ 16,924	\$	-	\$	16,924
Buildings	122,563		65,125		57,438
Leasehold Improvements	5,557		1,748		3,809
Equipment	25,906		20,059		5,847
Other	95,990		46,099		49,891
Property, facilities and equipment	\$ 266,940	\$	133,031	\$	133,909

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 2020 and 2019) 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 2020 and 2019.

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

2020	\$ 12,409,853
2019	\$ 11,898,862

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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 \$30,000. The outstanding note bears interest at the lower of the bank's prime rate or LIBOR plus 55 basis points (2.43% and 2.84% as of October 31, 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 \$-0- outstanding under the line of credit as of October 31, 2019 and 2018.

Note 9 - Term debt

Term loan

On June 26, 2014, the Association entered into a 15-year fixed rate bank loan with a 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, 2019, the future loan principal payments are as follows:

2020	\$	917
2021		1,887
2022		1,957
2023		2,031
2024		2,105
2025 and thereafter		<u>12,424</u>
Total term loan		21,321
Less deferred financing costs, net		<u>(65)</u>
Term loan, net	\$	<u><u>21,256</u></u>

Capital lease obligation

The cost and accumulated amortization of equipment under capital leases were \$574 and \$503, respectively, as of October 31, 2019, and \$574 and \$433, respectively, as of October 31, 2018. As of October 31, 2019, the future minimum annual payments under capital leases are as follows:

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2020	\$	60
2021		<u>54</u>
Total minimum lease payments		114
Less amount representing interest		<u>(1)</u>
Present value of net minimum lease payments	\$	<u>113</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 \$657 and \$607 for the periods ended October 31, 2019 and 2018, respectively.

Note 11 - Commitments

The Association leases certain facilities and equipment under operating leases. Rental expense, exclusive of these costs, was \$1,065 and \$1,040 for the periods ended October 31, 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 \$507 and \$450, which was included in accounts payable and accrued expenses as of October 31, 2019 and 2018, respectively.

As of October 31, 2019, the Association's total commitment for minimum annual rentals, exclusive of maintenance and other occupancy costs, under non-cancellable operating leases is:

2020	\$	792
2021		1,610
2022		1,642
2023		1,675
2024		1,708
2025 and thereafter		<u>4,579</u>
Total	\$	<u>12,006</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 \$309 and \$345 were included in accounts payable and accrued expenses as of October 31, 2019 and 2018, respectively.

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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 \$205 and \$240 were included in accounts payable and accrued expenses as of October 31, 2019 and 2018, respectively. The lease also includes a tenant improvement allowance of \$1,378. Accrued allowances of \$880 and \$945 were included in accounts payable as of October 31, 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 10th anniversary of the benefit commencement date. The employee contributes the remainder of the health care cost.

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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:

	2019	2018
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	(17)	(11)
Obligation at end of year	\$ 729	\$ 705
Amount not yet recognized in net periodic postretirement benefit costs		
Unrecognized prior service credit	\$ -	\$ -
Unrecognized gain	112	112
Total amount not yet recognized in net periodic postretirement benefit costs	\$ 112	\$ 112
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	15	(15)
Net periodic postretirement benefit costs	\$ 76	\$ 43

The discount rate was 4.45% as of April 31, 2019 and 2018. The gross trend rate for health care coverage is 10.0% grading to 4.45% over five years.

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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 \$1,273 and \$1,307 are included in accrued expenses as of October 31, 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 \$2,004 and \$2,228 are included in accrued expenses as of October 31, 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
October 31, 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 October 31, 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.