

Columbia Association, Inc.
Financial Statements
January 31, 2020 and 2019

Columbia Association, Inc.

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Columbia Association, Inc.
Statements of Financial Position
January 31, 2020 and 2019
(in Thousands)

	<u>Assets</u>	2020	2019
Cash and cash equivalents	\$	72	\$ 151
Accounts receivable, net		3,120	3,146
Prepaid expenses and other assets		1,603	1,994
Risk management fund		6,577	6,516
Workers' compensation fund		3,599	3,546
Property, facilities and equipment, net		140,270	135,868
Intangible assets, net		319	319
Total assets	\$	<u>155,560</u>	<u>\$ 151,540</u>
<u>Liabilities and Net Assets</u>			
Liabilities			
Line of credit	\$	3,982	\$ 749
Accounts payable and accrued expenses		12,719	14,718
Deferred revenue		4,597	4,613
		<u>21,298</u>	<u>20,080</u>
Term debt			
Term loan, net of deferred financing costs		20,803	22,594
Capital lease obligations		78	218
Total term debt		<u>20,881</u>	<u>22,812</u>
Total liabilities		42,179	42,891
Net assets			
Net assets without donor restrictions		<u>113,381</u>	<u>108,649</u>
Total net assets		<u>113,381</u>	<u>108,649</u>
Total liabilities and net assets	\$	<u>155,560</u>	<u>\$ 151,540</u>

See Notes to Financial Statements.

Columbia Association, Inc.

**Statements of Activities
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(in Thousands)**

	<u>2020</u>	<u>2019</u>
Revenue		
Annual charge	\$ 42,097	\$ 40,877
Sport and fitness	20,998	19,333
Community services	3,407	3,463
Communications and marketing	120	140
Open space and facility services	161	566
Village community associations	5	18
Interest income and other	282	257
Unrealized (loss) gain on marketable securities	<u>(29)</u>	<u>11</u>
Total revenue	<u>67,041</u>	<u>64,665</u>
Expenses		
Program services:		
Sport and fitness	23,463	22,338
Community services	5,536	5,190
Communications and marketing	1,623	1,726
Open space and facility services	11,310	10,862
Village community associations	<u>3,481</u>	<u>3,878</u>
Total program services	45,413	43,994
Supporting services:		
Administrative	<u>7,453</u>	<u>7,392</u>
Total expenses	<u>52,866</u>	<u>51,386</u>
Increase in net assets without donor restrictions	14,175	13,279
Net assets without donor restrictions, beginning	<u>99,206</u>	<u>95,370</u>
Net assets without donor restrictions, ending	<u>\$ 113,381</u>	<u>\$ 108,649</u>

See Notes to Financial Statements.

Columbia Association, Inc.

**Statements of Functional Expenses
January 31, 2020
(in Thousands)**

	Sport and Fitness	Community Services	Communication and Marketing	Open Space and Facility Services	Village Community Associations	Total Program	Adminstrative	Total
Salary, Wages and Contract Labor	9,780	2,794	1,055	3,461	-	17,090	3,903	20,993
Annual Performance Incentives	3	2	1	1	-	7	19	26
Payroll Taxes	826	227	80	263	-	1,396	269	1,665
Employee Benefits	993	305	188	697	-	2,183	614	2,797
Operating Supplies/Expenses	1,164	331	413	395	4	2,307	221	2,528
Technology Supplies/Expenses	28	9	45	14	-	96	896	992
Collection and Treasury Expenses	129	71	299	(3)	-	496	100	596
Fees	459	244	208	1,923	131	2,965	566	3,531
Comm. Assoc. Annual Charge Share Grant	-	-	-	-	2,407	2,407	-	2,407
Temporary Funding & Grants Expense	-	927	-	-	-	927	-	927
Rentals	937	173	182	112	-	1,404	286	1,690
Utilities	1,071	59	11	72	9	1,222	270	1,492
Insurance & Taxes	603	29	3	185	35	855	120	975
Repairs & Maintenance	1,750	100	5	1,172	138	3,165	6	3,171
Depreciation	4,571	120	35	2,763	706	8,195	162	8,357
Allocations	1,149	145	(902)	255	51	698	21	719
Total functional expenses	23,463	5,536	1,623	11,310	3,481	45,413	7,453	52,866

See Notes to Financial Statements.

Columbia Association, Inc.

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

	Sport and Fitness	Community Services	Communication and Marketing	Open Space and Facility Services	Village Community Associations	Total Program	Adminstrative	Total
Salary, Wages and Contract Labor	9,310	2,718	1,064	3,378	-	16,470	3,701	20,171
Annual Performance Incentives	5	-	2	1	-	8	3	11
Payroll Taxes	788	220	81	247	-	1,336	253	1,589
Employee Benefits	958	288	174	629	-	2,049	622	2,671
Operating Supplies/Expenses	1,163	391	529	421	14	2,518	254	2,772
Technology Supplies/Expenses	16	4	37	11	4	72	540	612
Collection and Treasury Expenses	216	58	381	(7)	-	648	88	736
Fees	620	212	146	1,745	336	3,059	771	3,830
Comm. Assoc. Annual Charge Share Grant	-	-	-	-	2,393	2,393	-	2,393
Temporary Funding & Grants Expense	-	720	-	-	-	720	-	720
Rentals	918	158	176	96	1	1,349	278	1,627
Utilities	965	57	14	74	7	1,117	401	1,518
Insurance & Taxes	484	30	1	175	24	714	115	829
Repairs & Maintenance	1,746	92	23	1,208	387	3,456	23	3,479
Depreciation	4,021	92	29	2,636	658	7,436	309	7,745
Allocations	1,128	150	(931)	248	54	649	34	683
Total functional expenses	22,338	5,190	1,726	10,862	3,878	43,994	7,392	51,386

See Notes to Financial Statements.

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Statements of Cash Flows
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(in Thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Increase in unrestricted net assets	\$ 14,175	\$ 13,279
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities		
Depreciation expense and amortization	8,357	7,745
Bad debt expense	102	274
Amortization of deferred financing costs	9	10
Loss (gain) on disposal of fixed assets	332	771
Unrealized loss (gain) on marketable securities	29	(11)
Changes in operating assets and liabilities		
Accounts receivable	(278)	(232)
Prepaid expenses and other assets	104	(331)
Accounts payable and accrued expenses	(1,072)	(754)
Deferred revenue	131	89
Net cash provided by operating activities	<u>21,889</u>	<u>20,840</u>
Cash flows from investing activities		
Purchases of investments held by trustees	(12,664)	(11,058)
Proceeds from maturities of investments held by trustees	12,599	10,972
Purchase of property, facilities and equipment	(13,418)	(14,255)
Proceeds from the sale of equipment	59	164
Net cash used in investing activities	<u>(13,424)</u>	<u>(14,177)</u>
Cash flows from financing activities		
Net borrowings (repayments) under line of credit	(7,019)	(5,157)
Net principal payments on capital lease obligations	(117)	(117)
Principal payments on term loan	(1,356)	(1,306)
Net cash provided by (used in) financing activities	<u>(8,492)</u>	<u>(6,580)</u>
Net (decrease) increase in cash and cash equivalents	(27)	83
Cash and cash equivalents, beginning	<u>99</u>	<u>68</u>
Cash and cash equivalents, ending	<u>\$ 72</u>	<u>\$ 151</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 718</u>	<u>\$ 684</u>

See Notes to Financial Statements.

Columbia Association, Inc.

**Notes to Financial Statements
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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 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 \$2.5 for a single item except for certain equipment or livestock, which should be capitalized if a single item costs at least \$1.5. This includes an expenditure that is for a group of identical or coordinating items with a total cost of at least \$2.5 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 January 31, 2020 and 2019, 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 January 31, 2020 and 2019 was \$82 and \$70, respectively. Amortization expense for the periods ended January 31, 2020 and 2019 was \$9 and \$10, respectively. Estimated future amortization expense is as follows:

Year ending April 30,	Amortization expense
2020	\$ 3
2021	11
2022	10
2023	9
2024	8
2025 and thereafter	21
	<u>\$ 62</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 \$370 and \$255 for the periods ended January 31, 2020 and 2019, respectively.

Income taxes

The Association is exempt under Section 501(c) (4) of the Internal Revenue Code. However, the Association is subject to federal and state taxes on unrelated business income, if any. Net unrelated business income was \$0 for the periods ended January 31, 2020 and 2019.

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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 March 10, 2020, 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 January 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Membership fees	\$ 2,586	\$ 2,655
Annual charges	945	936
Other	<u>517</u>	<u>510</u>
Total accounts receivable	4,048	4,101
Less reserves for abatements and allowance for doubtful accounts	<u>928</u>	<u>955</u>
	<u>\$ 3,120</u>	<u>\$ 3,146</u>

Columbia Association, Inc.

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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 January 31, 2020 and 2019:

	2020		2019	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 39	\$ 39	\$ 428	\$ 428
Government debt securities	6,476	6,499	6,047	6,031
Accrued interest	39	39	57	57
	<u>\$ 6,554</u>	<u>\$ 6,577</u>	<u>\$ 6,532</u>	<u>\$ 6,516</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 January 31, 2020 and 2019:

	2020		2019	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 166	\$ 166	\$ 174	\$ 174
Government debt securities	3,420	3,423	3,340	3,360
Accrued interest	10	10	12	12
	<u>\$ 3,596</u>	<u>\$ 3,599</u>	<u>\$ 3,526</u>	<u>\$ 3,546</u>

Note 4 - Fair value measurements

Generally Accepted Accounting Principles 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 reliability of inputs are 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.

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.

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 January 31, 2020:

	Fair value measurements using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total
Government debt securities*	\$ -	\$ 9,922	\$ 9,922

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of January 31, 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*	\$ -	\$ 9,391	\$ 9,391

*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

The Association's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Total assets at quarter end	\$ 155,560
Less:	
Prepaid expenses and other assets	1,603
Risk management fund	6,577
Workers' compensation fund	3,599
Property, facilities and equipment, net	140,270
Intangible assets, net	<u>319</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,192</u>

Columbia Association has \$3,192 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 \$72 and accounts receivable of \$3,120. Accounts receivable consist of annual charge balances receivable, 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 \$3,982 was committed as of January 31, 2020. This line of credit is used to meet liquidity needs.

The 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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Note 6 - Property, facilities and equipment

Property, facilities and equipment consist of the following as of January 31, 2020:

	Cost basis	Accumulated depreciation	Book value
Land	\$ 6,533	\$ -	\$ 6,533
Parks, lakes & related improvements	97,741	46,285	51,456
Buildings	135,846	67,871	67,975
Leasehold Improvements	5,578	2,421	3,157
Equipment and Vehicles	29,033	22,136	6,897
Other	4,277	26	4,252
Property, facilities and equipment	<u>\$ 279,008</u>	<u>\$ 138,739</u>	<u>\$ 140,270</u>

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

	Cost basis	Accumulated depreciation	Book value
Land	\$ 6,533	\$ -	\$ 6,533
Parks, lakes & related improvements	90,121	42,700	47,421
Buildings	123,838	64,645	59,193
Leasehold Improvements	5,560	1,883	3,677
Equipment and Vehicles	31,242	20,291	10,951
Other	12,102	4,009	8,093
Property, facilities and equipment	<u>\$ 269,396</u>	<u>\$ 133,528</u>	<u>\$ 135,868</u>

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.

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

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

Note 8 - Line of credit

The Association has available a 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 (2.22% and 3.06% as of January 31, 2020 and 2019, respectively) and is due on demand. Additionally, the note bears an unused commitment fee of 10 basis points on any difference between the preauthorized monthly draw schedule of the projected outstanding balance and the amount of the credit actually used. The Association had \$3,982 and \$749 outstanding under the line of credit as of January 31, 2020 and 2019.

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 January 31, 2020, the future loan principal payments by fiscal year are as follows:

2020	\$	461
2021		1,887
2022		1,957
2023		2,031
2024		2,105
2025 and thereafter		<u>12,424</u>
Total term loan		20,865
Less deferred financing costs, net		<u>(62)</u>
Term loan, net	\$	<u><u>20,803</u></u>

Capital lease obligation

The cost and accumulated amortization of equipment under capital leases were \$574 and \$520, respectively, as of January 31, 2020, and \$574 and \$450, respectively, as of January 31, 2019. As of January 31, 2020, the future minimum annual payments under capital leases are as follows:

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2020	\$	24
2021		<u>54</u>
Total minimum lease payments		78
Less amount representing interest		<u>-</u>
Present value of net minimum lease payments	\$	<u><u>78</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 \$975 and \$891 for the periods ended January 31, 2020 and 2019, respectively.

Note 11 - Commitments

The Association leases certain facilities and equipment under operating leases. Rental expense, was \$1,582 and \$1,535 for the periods ended January 31, 2020 and 2019, 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 \$518 and \$468, which was included in accounts payable and accrued expenses as of January 31, 2020 and 2019, respectively.

The Association's total commitment for minimum annual rentals, exclusive of maintenance and other occupancy costs, under non-cancellable operating leases by fiscal year are as follows:

2020	\$	396
2021		1,610
2022		1,642
2023		1,675
2024		1,708
2025 and thereafter		<u>4,579</u>
Total	\$	<u><u>11,610</u></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 which is valued at \$460. Accrued abatements

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of \$300 and \$336 were included in accounts payable and accrued expenses as of January 31, 2020 and 2019, 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 \$196 and \$231 were included in accounts payable and accrued expenses as of January 31, 2020 and 2019, respectively. The lease also includes a tenant improvement allowance of \$1,378. Accrued allowances of \$863 and \$929 were included in accounts payable as of January 31, 2020 and 2019, 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.

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:

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	<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.

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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:

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

The following is a projection of benefit costs under the plan:

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

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 \$1,208 and \$1,287 are included in accounts payable and accrued expenses as of January 31, 2020 and 2019. 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 \$1,966 and \$2,179 are included in accounts payable and accrued expenses as of January 31, 2020 and 2019, respectively. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

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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 January 31, 2020.

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.