

Columbia Association, Inc.

Financial Statements

April 30, 2020 and 2019

Columbia Association, Inc.

Index

	<u>Page</u>
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, 2020 and 2019, 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.

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, 2020 and 2019, 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.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Association adopted the following new accounting guidance contained in Accounting Standards Update (ASU):

- ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.
- ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*.

Our opinion is not modified with respect to these matters.



CliftonLarsonAllen LLP

Baltimore, Maryland
July 24, 2020

Columbia Association, Inc.
Statements of Financial Position
April 30, 2020 and 2019
(in Thousands)

Assets

	2020	2019
Cash and cash equivalents	\$ 60	\$ 99
Accounts receivable, net	2,022	2,944
Prepaid expenses and other assets	494	1,707
Risk management fund	3,631	6,596
Workers' compensation fund	3,575	3,544
Property, facilities and equipment, net	138,891	135,600
Intangible assets, net	319	319
 Total assets	 \$ 148,992	 \$ 150,809

Liabilities and Net Assets

Liabilities		
Line of credit	\$ 9,746	\$ 11,001
Accounts payable and accrued expenses	14,274	13,791
Deferred revenue	3,698	4,466
	27,718	29,258
 Term debt		
Term loan, net of deferred financing costs	20,304	22,150
Capital lease obligations	54	195
Total term debt	20,358	22,345
Total liabilities	48,076	51,603
 Net assets		
Net assets without donor restrictions	100,916	99,206
Total net assets	100,916	99,206
Total liabilities and net assets	\$ 148,992	\$ 150,809

Columbia Association, Inc.

Statements of Activities
Years Ended April 30, 2020 and 2019
(in Thousands)

	2020	2019
Revenue		
Annual charge	\$ 42,090	\$ 40,867
Sport and fitness	23,447	25,932
Community services	3,843	4,778
Communications and marketing	134	152
Open space and facility services	363	778
Village community associations	(6)	(82)
Interest income and other	345	164
Unrealized (loss) gain on marketable securities	(8)	60
	<u>70,208</u>	<u>72,649</u>
Expenses		
Program services:		
Sport and fitness	29,721	29,881
Community services	6,848	6,546
Communications and marketing	2,572	2,842
Open space and facility services	14,709	14,315
Village community associations	4,818	5,145
Total program services	<u>58,668</u>	<u>58,729</u>
Supporting services:		
Administrative	9,830	10,084
Total expenses	<u>68,498</u>	<u>68,813</u>
Increase in net assets without donor restrictions	1,710	3,836
Net assets without donor restrictions, beginning of year	<u>99,206</u>	<u>95,370</u>
Net assets without donor restrictions, ending of year	<u>\$ 100,916</u>	<u>\$ 99,206</u>

Columbia Association, Inc.

**Statements of Functional Expenses
Year Ended April 30, 2020
(in Thousands)**

	Sport and Fitness	Community Services	Communication and Marketing	Open Space and Facility Services	Village Community Associations	Total Program	Administrative	Total
Salary, Wages, and Contract Labor	\$ 11,840	\$ 3,461	\$ 1,297	\$ 4,568	\$ -	\$ 21,166	\$ 5,014	\$ 26,180
Annual Performance Incentives	4	2	1	1	-	8	19	27
Payroll Taxes	1,003	282	100	348	-	1,733	348	2,081
Employee Benefits	1,325	408	249	944	-	2,926	819	3,745
Operating Supplies/Expenses	1,409	377	891	473	20	3,170	251	3,421
Technology Supplies/Expenses	30	9	66	16	-	121	1,156	1,277
Collection and Treasury Expenses	158	90	373	(3)	-	618	121	739
Fees	569	258	441	2,333	186	3,787	971	4,758
Comm. Assoc. Annual Charge Share Grant	-	-	-	-	3,265	3,265	-	3,265
Temporary Funding & Grants Expense	-	927	-	-	-	927	-	927
Rentals	1,255	278	240	146	-	1,919	380	2,299
Utilities	1,426	78	15	101	10	1,630	341	1,971
Insurance & Taxes	770	33	5	236	46	1,090	154	1,244
Repairs & Maintenance	2,300	181	7	1,531	221	4,240	6	4,246
Depreciation	6,235	190	51	3,685	999	11,160	220	11,380
Allocations	1,397	274	(1,164)	330	71	908	30	938
Total functional expenses	\$ 29,721	\$ 6,848	\$ 2,572	\$ 14,709	\$ 4,818	\$ 58,668	\$ 9,830	\$ 68,498

Columbia Association, Inc.

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

	Sport and Fitness	Community Services	Communication and Marketing	Open Space and Facility Services	Village Community Associations	Total Program	Administrative	Total
Salary, Wages, and Contract Labor	\$ 11,959	\$ 3,490	\$ 1,372	\$ 4,293	\$ -	\$ 21,114	\$ 4,914	\$ 26,028
Annual Performance Incentives	6	1	3	1	-	11	21	32
Payroll Taxes	1,019	286	106	324	-	1,735	345	2,080
Employee Benefits	1,282	380	232	829	-	2,723	820	3,543
Operating Supplies/Expenses	1,625	516	1,158	556	17	3,872	330	4,202
Technology Supplies/Expenses	19	4	50	10	4	87	751	838
Collection and Treasury Expenses	249	81	465	(6)	-	789	149	938
Fees	843	251	268	2,192	416	3,970	1,253	5,223
Comm. Assoc. Annual Charge Share Grant	-	-	-	-	3,226	3,226	-	3,226
Temporary Funding & Grants Expense	-	720	-	-	-	720	-	720
Rentals	1,205	237	248	139	7	1,836	397	2,233
Utilities	1,326	81	19	99	10	1,535	509	2,044
Insurance & Taxes	748	40	1	231	32	1,052	154	1,206
Repairs & Maintenance	2,468	128	26	1,617	446	4,685	27	4,712
Depreciation	5,682	139	42	3,692	913	10,468	379	10,847
Allocations	1,450	192	(1,148)	338	74	906	35	941
Total functional expenses	\$ 29,881	\$ 6,546	\$ 2,842	\$ 14,315	\$ 5,145	\$ 58,729	\$ 10,084	\$ 68,813

Columbia Association, Inc.
Statements of Cash Flows
Years Ended April 30, 2020 and 2019
(in Thousands)

	2020	2019
Cash flows from operating activities		
Increase in unrestricted net assets	\$ 1,710	\$ 3,836
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities		
Depreciation expense	11,380	10,847
Bad debt expense	121	327
Amortization of deferred financing costs	12	13
Loss on disposal of fixed assets	541	1,149
Unrealized loss (gain) on marketable securities	8	(60)
Changes in operating assets and liabilities		
Accounts receivable	801	(83)
Prepaid expenses and other assets	1,213	(44)
Accounts payable and accrued expenses	483	(1,681)
Deferred revenue	(768)	(58)
Net cash provided by operating activities	15,501	14,246
Cash flows from investing activities		
Purchases of investments held by trustees	(17,519)	(15,637)
Proceeds from maturities of investments held by trustees	20,445	15,522
Purchase of property, facilities and equipment	(15,303)	(17,533)
Proceeds from the sale of equipment	91	230
Net cash used in investing activities	(12,286)	(17,418)
Cash flows from financing activities		
Net (repayments) borrowings under line of credit	(1,255)	5,096
Principal payments on capital lease obligations	(141)	(140)
Principal payments and deferred financing costs on term loan	(1,858)	(1,753)
Net cash (used in) provided by financing activities	(3,254)	3,203
Net (decrease) increase in cash and cash equivalents	(39)	31
Cash and cash equivalents, beginning	99	68
Cash and cash equivalents, ending	\$ 60	\$ 99
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 929	\$ 917

Columbia Association, Inc.

**Notes to Financial Statements
April 30, 2020 and 2019
(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.

Columbia Association, Inc.

Notes to Financial Statements April 30, 2020 and 2019 (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 \$2.5 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 April 30, 2020 and 2019, 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, 2020 and 2019
(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, 2020 and 2019 was \$85 and \$73, respectively. Amortization expense for the periods ended April 30, 2020 and 2019 was \$12 and \$13, respectively. Estimated future amortization expense is as follows:

Year ending April 30,	Amortization expense
2021	\$ 16
2022	17
2023	16
2024	15
2025	14
2026 and thereafter	22
	<u>\$ 100</u>

Revenue recognition

Annual charge

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. The annual charge is based on \$0.68 per \$100 of assessed value. The Association's annual charge is billed annually on or about July 1, and the payment is due within 30 days. Annual charge revenue is recognized when billed.

Sport and Fitness

Sport and Fitness revenue is primarily comprised of memberships, fees, and sales.

Membership - Memberships are recognized as revenue on a pro rata basis during the membership period with unearned fees recorded as deferred revenue. Memberships are generally one year, starting on an agreed upon date, or month to month.

Fees - This category contains income from daily admission and guest passes to various facilities and programs. Fees for tournaments, leagues, driving range use and lessons are also included. The Association recognizes revenue when services are provided.

Sales - The majority of this category is comprised of sales of merchandise at the Association's facilities, such as the pro shops at the golf courses, tennis clubs, athletic clubs, etc. It also includes snack bar sales primarily at the outdoor pools as well as ticket sales at the Customer and Member Service Center for non-CA attractions or events. The Association recognizes revenue at the time of sale.

Community Services

Community Services revenue is primarily comprised of tuition and enrollment, fees and sales from School Age Services and Camps.

Columbia Association, Inc.

Notes to Financial Statements April 30, 2020 and 2019 (in Thousands)

School Age Services - The School Age Services (SAS) Programs are offered in 19 elementary schools and three middle schools. Tuition payments are received for 10 months from September through June and revenues are recognized ratably as services are provided. Unearned tuition payments are reflected as deferred revenue on the statement of financial position.

Camps - Camps are held during the month of June through August. Camp registration fees are recognized as income when received. Camp program fees are recognized ratably over the camp duration. Unearned revenue is reflected as deferred revenue on the statement of financial position.

Deferred Revenue

Deferred revenue is comprised of the following as of April 30:

	2020	2019
Membership fees	\$ 2,142	\$ 2,916
School age services	789	301
Camps	-	404
Other	767	845
	<u>\$ 3,698</u>	<u>\$ 4,466</u>

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 \$806 and \$849 for the periods ended April 30, 2020 and 2019, respectively.

Income taxes

The Association is exempt under 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 April 30, 2020 and 2019.

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. The expenses that are allocated include interest expense which is allocated proportionally based on property and equipment. Costs that can be identified with particular programs or support functions are charged directly to the program or function including salaries and related expenses which are charged based on time and effort.

Columbia Association, Inc.

Notes to Financial Statements
April 30, 2020 and 2019
(in Thousands)

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no effect on previously reported change in net assets or net asset amounts.

Subsequent events

The Association evaluated subsequent events through July 24, 2020, the date the financial statements were available to be issued.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued several ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Association's financial statements reflect the application of ASC 606 guidance beginning in 2020. No cumulative-effect adjustment in net assets was recorded because adoption of ASU 2014-09 did not significantly impact the Association's reported historical revenue.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This is a clarifying ASU as mentioned above, that distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. Additionally, once a transaction is deemed to be a contribution, this ASU assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor-restricted for limited purpose or timing. No cumulative-effect adjustment in net assets was recorded because adoption of ASU 2018-08 did not significantly impact the Association's reported historical revenue.

Columbia Association, Inc.

**Notes to Financial Statements
April 30, 2020 and 2019
(in Thousands)**

Note 2 - Accounts receivable

Accounts receivable are comprised of the following as of April 30:

	2020	2019
Membership fees	\$ 1,795	\$ 2,594
Annual charges	647	691
Other	499	571
Total accounts receivable	2,941	3,856
Less reserves for abatements and allowance for doubtful accounts	919	912
	\$ 2,022	\$ 2,944

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:

	2020		2019	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 82	\$ 82	\$ 50	\$ 50
Government debt securities	3,491	3,534	6,448	6,485
Accrued interest	15	15	61	61
	\$ 3,588	\$ 3,631	\$ 6,559	\$ 6,596

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:

	2020		2019	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 2,256	\$ 2,256	\$ 165	\$ 165
Government debt securities	1,318	1,319	3,351	3,364
Accrued interest	-	-	15	15
	\$ 3,574	\$ 3,575	\$ 3,531	\$ 3,544

Columbia Association, Inc.

Notes to Financial Statements
April 30, 2020 and 2019
(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.

Debt 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, 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*	\$ -	\$ 4,853	\$ 4,853

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of April 30, 2019:

Columbia Association, Inc.

**Notes to Financial Statements
April 30, 2020 and 2019
(in Thousands)**

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

*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 as of April 30:

	2020	2019
Total assets at year end	\$ 148,992	\$ 150,809
Less:		
Prepaid expenses and other assets	494	1,707
Risk management fund	3,631	6,596
Workers' compensation fund	3,575	3,544
Property, facilities and equipment, net	138,891	135,600
Intangible assets, net	319	319
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,082	\$ 3,043

Columbia Association has \$2,082 and \$3,043 of financial assets available within one year as of April 30, 2020 and 2019, respectively, on the statement of financial position date to meet cash needs for general expenditures. This consists of cash of \$60 and \$99 and accounts receivable of \$2,022 and \$2,944 as of April 30, 2020 and 2019, respectively. Accounts receivable consist of annual charge balances, which are collateralized by the related property. Accounts receivable also include membership fees receivable, 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, the Association has a line of credit with varying monthly caps ranging from \$0 to \$30,000 designated by the Association based on forecasted borrowing requirements, of which \$9,746 and \$11,001 was committed as of April 30, 2020 and 2019. This line of credit is used to meet liquidity needs. See also Note 8.

Columbia Association, Inc.

**Notes to Financial Statements
April 30, 2020 and 2019
(in Thousands)**

The Association's operating activity generates positive cash flow of approximately \$15,525 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, 2020:

	<u>Cost basis</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	\$ 6,533	\$ -	\$ 6,533
Parks, lakes and related improvements	98,533	47,097	51,436
Buildings and recreation facilities	137,577	68,274	69,303
Leasehold improvements	5,572	2,555	3,017
Equipment and vehicles	29,313	22,322	6,991
Other	1,637	26	1,611
Property, facilities, and equipment	<u>\$ 279,165</u>	<u>\$ 140,274</u>	<u>\$ 138,891</u>

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

	<u>Cost basis</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	\$ 6,533	\$ -	\$ 6,533
Parks, lakes and related improvements	93,578	43,675	49,903
Buildings and recreation facilities	130,011	65,041	64,970
Leasehold improvements	5,568	2,017	3,551
Equipment and vehicles	29,185	22,125	7,060
Other	3,608	25	3,583
Property, facilities, and equipment	<u>\$ 268,483</u>	<u>\$ 132,883</u>	<u>\$ 135,600</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.

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

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

Columbia Association, Inc.

**Notes to Financial Statements
April 30, 2020 and 2019
(in Thousands)**

Note 8 - Line of credit

The Association has available an unsecured line of credit with a bank under a loan agreement, with varying monthly caps ranging from \$0 to \$30,000 designated by the Association based on forecasted borrowing requirements. The outstanding note bears interest at the lower of the bank's prime rate or LIBOR plus 55 basis points (1.25% and 3.03% as of April 30, 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 schedule of the projected outstanding balance and the amount of the credit actually used. The Association had \$9,746 and \$11,001 outstanding under the line of credit as of April 30, 2020 and 2019. See also Note 16.

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 April 30, 2020, the future loan principal payments are as follows:

2021	\$	1,887
2022		1,957
2023		2,031
2024		2,105
2025		2,185
2026 and thereafter		<u>10,239</u>
Total term loan		20,404
Less deferred financing costs, net		<u>(100)</u>
Term loan, net	\$	<u>20,304</u>

Capital lease obligation

The cost and accumulated amortization of equipment under capital leases were \$574 and \$539, respectively, as of April 30, 2020, and \$574 and \$468, respectively, as of April 30, 2019. As of April 30, 2020, the future minimum annual payments under capital leases of \$54 were due in 2021.

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. However, effective April 13, 2020, due to the financial pressures from COVID-19, employer contributions have been reduced to 3% and vest immediately. Expenses under this plan were \$1,213 and \$1,189 for the years ended April 30, 2020 and 2019, respectively.

Columbia Association, Inc.

Notes to Financial Statements
April 30, 2020 and 2019
(in Thousands)

Note 11 - Commitments

The Association leases certain facilities and equipment under operating leases. Rental expense, exclusive of these costs, was \$2,152 and \$2,093 for the periods ended April 30, 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 \$528 and \$486, which was included in accounts payable and accrued expenses as of April 30, 2020 and 2019, respectively.

As of April 30, 2020, the Association's total commitment for minimum annual rentals, exclusive of maintenance and other occupancy costs, under non-cancellable operating leases is:

2021	\$	1,610
2022		1,642
2023		1,675
2024		1,708
2025		1,743
2026 and Thereafter		<u>2,836</u>
Total	\$	<u><u>11,214</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 valued at \$460. Accrued abatements of \$290 and \$327 were included in accounts payable and accrued expenses as of April 30, 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 \$187 and \$222 were included in accounts payable and accrued expenses as of April 30, 2020 and 2019, respectively. The lease also includes a tenant improvement allowance of \$1,378. Accrued allowances of \$847 and \$913 were included in accounts payable as of April 30, 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.

Columbia Association, Inc.

Notes to Financial Statements
April 30, 2020 and 2019
(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>2020</u>	<u>2019</u>
Reconciliation of benefit obligations		
Obligation at beginning of year	\$ 729	\$ 705
Service cost	28	32
Interest cost	28	29
Actuarial loss	4	-
Plan amendments	56	-
Amortization of net loss	-	(5)
Amortization of unrecognized past service cost	-	(15)
Benefit payments	<u>(16)</u>	<u>(17)</u>
Obligation at end of year	<u>\$ 829</u>	<u>\$ 729</u>
Amount not yet recognized in net periodic postretirement benefit costs		
Unrecognized prior service credit	\$ 50	\$ -
Unrecognized gain (loss)	<u>(140)</u>	<u>112</u>
Total amount not yet recognized in net periodic postretirement benefit costs	<u>\$ (90)</u>	<u>\$ 112</u>
Net periodic postretirement benefit costs include		
Service cost	\$ 28	\$ 32
Interest cost	28	29
Amortization of net gain from prior periods	(19)	-
Amortization of unrecognized prior service cost	<u>6</u>	<u>15</u>
Net periodic postretirement benefit costs	<u>\$ 43</u>	<u>\$ 76</u>

The discount rate was 2.8% and 4.45% as of April 30, 2020 and 2019, respectively. The gross trend rate for health care coverage is 4.45% for all years.

Columbia Association, Inc.

Notes to Financial Statements
April 30, 2020 and 2019
(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 as of April 30, 2020:

	1% increase	1% decrease
Effect on total service and interest cost components of net periodic postretirement health care benefit cost	\$ 8	\$ (6)
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:

2021	\$	30
2022		34
2023		46
2024		51
2025		62
2026 - 2030		345

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 \$1,130 and \$1,287 are included in accrued expenses as of April 30, 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 \$2,401 and \$2,358 are included in accrued expenses as of April 30, 2020 and 2019, respectively. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

Columbia Association, Inc.

**Notes to Financial Statements
April 30, 2020 and 2019
(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, 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.

Note 16 – Subsequent Events

On March 11, 2020, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Association, COVID-19 may impact various parts of its 2020 operations and financial results, including sport and fitness, community services, open space and facility services. Management believes the Association is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

As a result of the COVID-19 outbreak, the Association entered into an agreement for a Term Loan on June 25, 2020 in the amount of \$20,000. The loan's interest rate is 2.5% and the principal and interest shall be payable in equal monthly installments of \$260 beginning August 1, 2020 through its maturity date, on June 1, 2027. The proceeds from this loan were used to pay off the Line of Credit in Note 8.

Additionally, the Association entered into a revolving line of credit with a bank on June 25, 2020, which, under the loan agreement, is limited to borrowings of \$10,000 which shall be increased to \$20,000 if certain conditions are met by September 15, 2020. The outstanding note bears interest at the adjusted LIBOR rate. Interest only on the outstanding principal balance shall be payable monthly beginning August 1, 2020. The Line of Credit matures on June 1, 2023.