

Columbia Association, Inc.

Financial Statements

October 31, 2020 and 2019

Columbia Association, Inc.

**Statements of Financial Position
October 31, 2020 and 2019
(in Thousands)**

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Columbia Association, Inc.

**Statements of Financial Position
October 31, 2020 and 2019
(in Thousands)**

Assets

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 36,631	\$ 4,810
Accounts receivable, net	3,762	3,904
Prepaid expenses and other assets	873	2,096
Risk management fund	3,628	6,638
Workers' compensation fund	3,601	3,586
Property, facilities and equipment, net	135,097	140,373
Intangible assets, net	<u>298</u>	<u>319</u>
 Total assets	 <u>\$ 183,890</u>	 <u>\$ 161,726</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 11,561	\$ 13,681
Deferred revenue	<u>4,422</u>	<u>5,167</u>
	<u>15,983</u>	<u>18,848</u>
 Term debt		
Term loans, net of deferred financing costs	38,609	21,256
Capital lease obligations	<u>813</u>	<u>113</u>
 Total term debt	 <u>39,422</u>	 <u>21,369</u>
 Total liabilities	 55,405	 40,217
 Net assets		
Net assets without donor restrictions	<u>128,485</u>	<u>121,509</u>
 Total net assets	 <u>128,485</u>	 <u>121,509</u>
 Total liabilities and net assets	 <u>\$ 183,890</u>	 <u>\$ 161,726</u>

Columbia Association, Inc.

**Statements of Activities
October 31, 2020 and 2019
(in Thousands)**

	<u>2020</u>	<u>2019</u>
Revenue		
Annual charge	\$ 43,586	\$ 42,014
Sport and fitness	6,782	14,558
Community services	77	2,218
Communications and marketing	117	84
Open space and facility services	117	118
Village community associations	(8)	3
Interest income and other	52	202
Unrealized (loss) gain on marketable securities	<u>(20)</u>	<u>(7)</u>
Total revenue	<u>50,703</u>	<u>59,190</u>
Expenses		
Program services:		
Sport and fitness	10,427	16,314
Community services	839	4,166
Communications and marketing	505	1,119
Open space and facility services	5,346	8,033
Village community associations	<u>2,405</u>	<u>2,309</u>
Total program services	19,522	31,941
Supporting services:		
Administrative	<u>3,612</u>	<u>4,945</u>
Total expenses	<u>23,134</u>	<u>36,886</u>
Increase in net assets without donor restrictions	27,569	22,303
Net assets without donor restrictions, beginning	<u>100,916</u>	<u>99,206</u>
Net assets without donor restrictions, ending	<u>\$ 128,485</u>	<u>\$ 121,509</u>

Columbia Association, Inc.

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

	Sport and Fitness	Community Services	Communications and Marketing	Open Space and Facility Services	Village Community Associations	Total Program	Administrative	Total
Salary, Wages and Contract Labor	\$ 2,961	\$ 332	\$ 413	\$ 1,336	\$ -	\$ 5,042	\$ 1,615	\$ 6,655
Annual Performance Incentives	-	-	-	-	-	-	-	-
Payroll Taxes	242	30	31	104	-	407	116	523
Employee Benefits	438	141	92	356	-	1,027	300	1,327
Operating Supplies/Expenses	242	4	109	128	5	488	31	518
Technology Supplies/Expenses	9	5	13	9	-	36	580	616
Collection and Treasury Expenses	60	1	123	-	-	184	37	222
Fees	151	18	57	767	92	1,085	375	1,460
Comm. Assoc. Annual Charge Share Grant	-	-	-	-	1,650	1,650	-	1,650
Temporary Funding & Grants Expense	-	45	-	-	-	45	-	45
Rentals	557	71	102	32	-	762	192	955
Utilities	502	30	6	52	4	594	138	732
Insurance & Taxes	444	18	3	139	28	632	93	724
Repairs & Maintenance	779	23	2	331	64	1,199	3	1,203
Depreciation	3,279	106	29	1,898	524	5,836	116	5,951
Allocations	763	15	(475)	194	38	535	16	553
Total functional expenses	10,427	839	505	5,346	2,405	19,522	3,612	23,134

Columbia Association, Inc.

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

	Sport and Fitness	Community Services	Communications and Marketing	Open Space and Facility Services	Village Community Associations	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	23
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	1,773
Technology Supplies/Expenses	24	9	25	9	-	67	592	659
Collection and Treasury Expenses	98	58	180	(3)	-	333	52	384
Fees	282	202	117	1,495	86	2,182	390	2,571
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	2	856	185	1,041
Insurance & Taxes	391	20	2	124	23	560	81	640
Repairs & Maintenance	1,196	63	5	819	81	2,164	8	2,172
Depreciation	3,017	81	22	1,952	474	5,546	107	5,654
Allocations	759	89	(570)	185	37	500	15	517
Total functional expenses	16,314	4,166	1,119	8,033	2,309	31,941	4,945	36,886

Columbia Association, Inc.

Statements of Cash Flows
October 31, 2020 and 2019
(in Thousands)

	2020	2019
Cash flows from operating activities		
Increase in unrestricted net assets	\$ 27,569	\$ 22,303
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities		
Depreciation expense and amortization	5,951	5,654
Bad debt expense	70	28
Amortization of deferred financing costs	22	6
Loss (gain) on disposal of fixed assets	16	15
Unrealized loss (gain) on marketable securities	20	7
Changes in operating assets and liabilities		
Accounts receivable	(1,810)	(988)
Prepaid expenses and other assets	(379)	(389)
Accounts payable and accrued expenses	(2,713)	(110)
Deferred revenue	724	701
Net cash provided by operating activities	29,470	27,227
Cash flows from investing activities		
Purchases of investments held by trustees	(1,198)	(10,426)
Proceeds from maturities of investments held by trustees	1,155	10,335
Purchase of property, facilities and equipment	(2,187)	(10,485)
Proceeds from the sale of equipment	14	43
Proceeds from the sale of intangible assets	21	-
Net cash used in investing activities	(2,195)	(10,533)
Cash flows from financing activities		
Net borrowings (repayments) under line of credit	(9,746)	(11,001)
Net new lease/principal payments on capital lease obligations	759	(82)
Term loan proceeds	20,000	-
Term loan issuance/financing costs	(136)	-
Term loan principal payments	(1,581)	(900)
Net cash provided by (used in) financing activities	9,296	(11,983)
Net (decrease) increase in cash and cash equivalents	36,571	4,711
Cash and cash equivalents, beginning	60	99
Cash and cash equivalents, ending	\$ 36,631	\$ 4,810
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 553	\$ 517

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.

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

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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 \$2.5 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 October 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 loans are being amortized using the effective interest method over the term of the respective debt. Accumulated amortization as of October 31, 2020 and 2019 was \$107 and \$79, respectively. Amortization expense for the periods ended October 31, 2020 and 2019 was \$22 and \$6, respectively. Estimated future amortization expense is as follows:

<u>Year ending</u>	<u>Amortization</u>
2021	\$ 32
2022	46
2023	40
2024	33
2025	26
2026 and thereafter	37
	<u>\$ 214</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.

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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.

School Age Services - The School Age Services (SAS) Programs are offered in certain elementary schools and 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 October 31:

	<u>2020</u>	<u>2019</u>
Membership fees	\$ 2,848	\$ 3,111
School Age Services	648	1,029
Other	<u>926</u>	<u>1,027</u>
Total Deferred Income	<u><u>4,422</u></u>	<u><u>5,167</u></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 \$74 and \$299 for the periods ended October 31, 2020 and 2019, respectively.

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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 October 31, 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.

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 November 30, 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

Columbia Association, Inc.

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recorded because adoption of ASU 2018- 08 did not significantly impact the Association's reported historical revenue.

Note 2 - Accounts receivable

Accounts receivable are comprised of the following as of October 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Membership fees	\$ 2,139	\$ 2,831
Annual charges	2,545	1,463
Other	<u>593</u>	<u>509</u>
Total accounts receivable	5,277	4,803
Less reserves for abatements and allowance for doubtful accounts	<u>1,515</u>	<u>899</u>
	<u><u>3,762</u></u>	<u><u>3,904</u></u>

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:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash and cash equivalents	\$ 38	\$ 38	\$ 377	\$ 377
Government debt securities	3,544	3,566	6,161	6,193
Accrued interest	<u>24</u>	<u>24</u>	<u>68</u>	<u>68</u>
	<u><u>\$ 3,606</u></u>	<u><u>\$ 3,628</u></u>	<u><u>\$ 6,606</u></u>	<u><u>\$ 6,638</u></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:

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	2020		2019	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 427	\$ 427	\$ 150	\$ 150
Government debt securities	3,173	3,174	3,417	3,425
Accrued interest	-	-	11	11
	<u>\$ 3,600</u>	<u>\$ 3,601</u>	<u>\$ 3,578</u>	<u>\$ 3,586</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 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
- 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.

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The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of October 31, 2020:

	Fair value measurements using		Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	
Government debt securities*	\$ -	\$ 6,740	\$ 6,740

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

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

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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 as of October 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Total assets at quarter end	\$ 183,890	\$ 161,726
Less:		
Prepaid expenses and other assets	873	2,096
Risk management fund	3,628	6,638
Workers' compensation fund	3,601	3,586
Property, facilities and equipment, net	135,097	140,373
Intangible assets, net	<u>298</u>	<u>319</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 40,393</u>	<u>\$ 8,714</u>

Columbia Association has \$40,393 and \$8,714 of financial assets available within one year as of October 31, 2020 and 2019, respectively, on the statement of financial position date to meet cash needs for general expenditures. This consists of cash of \$36,631 and \$4,810 and accounts receivable of \$3,762 and \$3,904 as of October 31, 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 in the amount of \$20,000, which \$-0- was committed as of October 31, 2020. This line of credit is used to meet liquidity needs. See Note 8.

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.

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Note 6 - Property, facilities and equipment, net

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

	<u>Cost basis</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	\$ 6,533	\$ -	\$ 6,533
Parks, lakes & related improvements	98,545	48,911	49,634
Buildings	137,944	70,947	66,997
Leasehold Improvements	5,572	2,829	2,743
Equipment and Vehicles	29,784	22,776	7,008
Other	2,208	26	2,182
Property, facilities and equipment	<u>\$ 280,586</u>	<u>\$ 145,489</u>	<u>\$ 135,097</u>

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

	<u>Cost basis</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	\$ 6,533	\$ -	\$ 6,533
Parks, lakes & related improvements	95,153	45,511	49,642
Buildings	130,992	67,165	63,827
Leasehold Improvements	5,571	2,285	3,286
Equipment and Vehicles	28,855	22,173	6,682
Other	10,426	23	10,403
Property, facilities and equipment	<u>\$ 277,530</u>	<u>\$ 137,157</u>	<u>\$ 140,373</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 2021 and 2020) 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 2021 and 2020.

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

2021	\$	12,838,389
2020	\$	12,409,853

Note 8 - Line of credit

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 \$20,000 beginning September 15, 2020 with the condition that the Association maintains a \$3,000 cash balance. 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. Additionally, the Association shall pay a quarterly unused commitment fee equal to 25 basis points of the principal amount of the line of credit that was unused.

During fiscal year 2020, the Association had 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 bore interest at the lower of the bank's prime rate or LIBOR plus 55 basis points and was due on demand. Additionally, the note bore 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 lines of credit as of October 31, 2020 and 2019.

Note 9 - Term debt

Term loans

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 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 matures in fiscal year 2028. The Association began making monthly principal and interest payments in August 2020. The proceeds from this loan were used to pay off the line of credit in Note 8.

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As of October 31, 2020, the future loan principal payments by fiscal year are as follows:

2021	\$	2,277
2022		4,656
2023		4,798
2024		4,942
2025		5,094
2026 and thereafter		17,056
Total term loan		<u>38,823</u>
Less deferred financing costs, net		<u>(214)</u>
Term loan, net	\$	<u><u>38,609</u></u>

Capital lease obligation

The cost and accumulated amortization of equipment under capital leases were \$867 and \$37, respectively, as of October 31, 2020, and \$574 and \$503, respectively, as of October 31, 2019. As of October 31, 2020, the future minimum annual payments under capital leases of \$60 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 \$166 and \$657 for the periods ended October 31, 2020 and 2019, respectively.

Note 11 - Commitments

The Association leases certain facilities and equipment under operating leases. Rental expense exclusive of these costs, was \$965 and \$1065 for the periods ended October 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 \$533 and \$507, which was included in accounts payable and accrued expenses as of October 31, 2020 and 2019, respectively.

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As of October 31, 2020, the Association's total commitment for minimum annual rentals, exclusive of maintenance and other occupancy costs, under non-cancellable operating leases is:

2021	\$	808
2022		1,642
2023		1,675
2024		1,708
2025		1,743
2026 and thereafter		<u>2,836</u>
Total	\$	<u>10,412</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 of \$272 and \$309 were included in accounts payable and accrued expenses as of October 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 \$170 and \$205 were included in accounts payable and accrued expenses as of October 31, 2020 and 2019, respectively. The lease also includes a tenant improvement allowance of \$1,378. Accrued allowances of \$814 and \$880 were included in accounts payable as of October 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>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 costs	-	(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 cost (credit)	\$ 50	\$ -
Unrecognized loss (gain)	<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)	-
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. The gross trend rate for health care coverage is 4.45% for all years.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percent change in assumed health care cost trend rates would have the following effects as of April 30, 2020:

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	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 benefit costs under the plan:

2021	\$	30
2022		34
2023		46
2024		51
2025		62
2026 - 2030		345
	\$	568

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 \$1,129 and \$1,273 are included in accrued expenses as of October 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 \$1,830 and \$2,005 are included in accrued expenses as of October 31, 2020 and 2019, respectively. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

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

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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, 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 continue to impact various parts of its 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.