

Columbia Association, Inc.

Financial Statements

October 31, 2021 and 2020

Columbia Association, Inc.

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Columbia Association, Inc.

**Statements of Financial Position
October 31, 2021 and 2020
(in Thousands)**

	2021	2020
Cash and cash equivalents	\$ 37,965	\$ 36,631
Grant restricted to School Age Services	863	-
Emergency cash reserves	2,000	-
Accounts receivable, net	4,579	3,762
Prepaid expenses and other assets	1,377	873
Risk management fund	6,619	3,628
Workers' compensation fund	3,549	3,601
Property, facilities and equipment, net	129,831	135,097
Intangible assets, net	287	298
Total assets	\$ 187,070	\$ 183,890
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	15,476	11,561
Deferred revenue	5,279	4,422
	20,755	15,983
Term debt		
Term loans, net of deferred financing costs	34,075	38,609
Capital lease obligations	677	813
Total term debt	34,752	39,422
Total liabilities	55,507	55,405
Net assets		
Without donor restrictions	130,700	128,485
With donor restrictions	863	-
Total net assets	131,563	128,485
Total liabilities and net assets	\$ 187,070	\$ 183,890

Columbia Association, Inc.

**Statements of Activities
October 31, 2021 and 2020
(in Thousands)**

	<u>2021</u>	<u>2020</u>
Revenue		
Annual charge	\$ 44,853	\$ 43,586
Sport and fitness	10,685	6,782
Community services	670	77
Communications and marketing	98	117
Open space and facility services	112	117
Village community associations	(10)	(8)
Interest income and other	65	52
Unrealized loss on marketable securities	<u>(9)</u>	<u>(20)</u>
 Total revenue	 <u>56,464</u>	 <u>50,703</u>
Expenses		
Program services:		
Sport and fitness	13,488	10,427
Community services	1,320	839
Communications and marketing	853	505
Open space and facility services	6,841	5,346
Village community associations	<u>2,413</u>	<u>2,405</u>
Total program services	24,915	19,522
Supporting services:		
Administrative	<u>4,628</u>	<u>3,612</u>
 Total expenses	 <u>29,543</u>	 <u>23,134</u>
 Increase in net assets without donor restrictions	 26,921	 27,569
Change in net assets with donor restrictions:		
Grant restricted to School Age Services	<u>863</u>	<u>-</u>
Increase in net assets with donor restrictions	863	-
 Increase in total net assets	 27,784	 27,569
Net assets, beginning	<u>103,779</u>	<u>100,916</u>
Net assets, ending	<u>\$ 131,563</u>	<u>\$ 128,485</u>

Columbia Association, Inc.

**Statements of Functional Expenses
October 31, 2021
(in Thousands)**

	Sport and Fitness	Community Services	Communications and Marketing	Open Space and Facility Services	Village Community Associations	Total Program	Administrative	Total
Personnel Expenses	\$ 6,601	\$ 870	\$ 788	\$ 2,373	\$ -	\$ 10,632	\$ 2,537	\$ 13,169
Operating Supplies/Expenses	522	43	158	230	6	959	68	1,027
Technology Supplies/Expenses	48	6	8	12	-	74	619	693
Collection and Treasury Expenses	92	7	97	1	-	197	43	240
Fees	357	87	22	1,159	64	1,689	669	2,358
Comm. Assoc. Annual Charge Share Grant	-	-	-	-	1,658	1,658	-	1,658
Temporary Funding & Grants Expense	-	-	-	-	-	-	-	-
Rentals	578	33	147	58	-	816	295	1,111
Utilities	718	32	5	50	4	809	142	951
Insurance & Taxes	420	24	3	153	26	626	112	738
Repairs & Maintenance	1,032	76	31	567	90	1,796	19	1,815
Depreciation	3,232	101	21	2,015	521	5,890	106	5,996
Non-Operating Exp/Contingencies	(824)	-	-	-	-	(824)	-	(824)
Allocations	712	41	(427)	223	44	593	18	611
Total functional expenses	\$ 13,488	\$ 1,320	\$ 853	\$ 6,841	\$ 2,413	\$ 24,915	\$ 4,628	\$ 29,543

Columbia Association, Inc.

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

	<u>Sport and Fitness</u>	<u>Community Services</u>	<u>Communications and Marketing</u>	<u>Open Space and Facility Services</u>	<u>Village Community Associations</u>	<u>Total Program</u>	<u>Administrative</u>	<u>Total</u>
Personnel Expenses	\$ 3,641	\$ 502	\$ 536	\$ 1,796		\$ 6,475	\$ 2,031	\$ 8,506
Operating Supplies/Expenses	242	4	109	128	5	488	30	518
Technology Supplies/Expenses	9	5	13	9	-	36	580	616
Collection and Treasury Expenses	60	1	123	-	-	184	38	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	193	955
Utilities	502	30	5	52	4	593	139	732
Insurance & Taxes	444	18	3	139	28	632	92	724
Repairs & Maintenance	779	23	2	331	64	1,199	4	1,203
Depreciation	3,279	106	29	1,898	524	5,836	115	5,951
Allocations	763	16	(474)	194	38	537	15	552
Total functional expenses	\$ 10,427	\$ 839	\$ 505	\$ 5,346	\$ 2,405	\$ 19,522	\$ 3,612	\$ 23,134

Columbia Association, Inc.

Statements of Cash Flows
October 31, 2021 and 2020
(in Thousands)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Increase in net assets	\$ 27,784	\$ 27,569
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation expense and amortization	5,996	5,951
Bad debt expense	13	70
Amortization of deferred financing costs	23	22
Loss (gain) on disposal of fixed assets	96	16
Unrealized loss (gain) on marketable securities	9	20
Changes in operating assets and liabilities		
Accounts receivable	(2,245)	(1,810)
Prepaid expenses and other assets	(60)	(379)
Accounts payable and accrued expenses	(1,481)	(2,713)
Deferred revenue	1,409	724
Net cash provided by operating activities	<u>31,544</u>	<u>29,470</u>
Cash flows from investing activities		
Purchases of investments held by trustees	(2,035)	(1,198)
Proceeds from maturities of investments held by trustees	80	1,155
Purchase of property, facilities and equipment	(3,134)	(2,187)
Proceeds from the sale of equipment	5	14
Proceeds from the sale of intangible assets	-	21
Net cash used in investing activities	<u>(5,084)</u>	<u>(2,195)</u>
Cash flows from financing activities		
Net repayments on line of credit	-	(9,746)
Net new lease/principal payments on capital lease obligatio	(80)	759
Term loan proceeds	-	20,000
Term loan issuance/financing costs	-	(136)
Term loan principal payments	(2,309)	(1,581)
Net cash provided by (used in) financing activities	<u>(2,389)</u>	<u>9,296</u>
Net increase in cash equivalents and restricted cash	24,071	36,571
Cash and cash equivalents at beginning of quarter	<u>16,757</u>	<u>60</u>
Cash equivalents and restricted cash at end of quarter	<u>\$ 40,828</u>	<u>\$ 36,631</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 601</u>	<u>\$ 553</u>

Columbia Association, Inc.

**Notes to Financial Statements
October 31, 2021 and 2020
(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.

Emergency cash reserves

In April 2021 the Board of Directors approved the establishment of an emergency cash reserves policy and designated an initial balance of \$2,000. The policy requires the Board to approve use of the funds only for emergency purposes and increases to the fund balance.

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.

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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	5 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, 2021 and 2020, respectively.

Columbia Association, Inc.

**Notes to Financial Statements
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(in Thousands)**

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, 2021 and 2020 was \$160 and \$107, respectively. Amortization expense for the periods ended October 31, 2021 and 2020 was \$23 and \$22, respectively. Estimated future amortization expense is as follows:

Year ending April 30,	Amortization expense
2022	\$ 23
2023	40
2024	33
2025	26
2026	19
2027 and thereafter	20
	<u>\$ 161</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. The Association recognizes revenue at the time of sale.

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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. Services during the periods ended October 31, 2021 and 2020, were limited due to the pandemic.

Camps - Camps are normally held during the months 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. Two camps were held in the summer of 2021. No camps were held during the period ended October 31, 2020, due to the pandemic.

Deferred Revenue

Deferred revenue is comprised of the following as of October 31:

	<u>2021</u>	<u>2020</u>
Membership fees	\$ 3,578	\$ 2,848
School Age Services	573	648
Other	<u>1,128</u>	<u>926</u>
Total Deferred Income	<u>\$ 5,279</u>	<u>\$ 4,422</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 \$147 and \$74 for the periods ended October 31, 2021 and 2020, 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, 2021 and 2020.

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.

Subsequent events

The Association evaluated subsequent events through December 1, 2021, the date the financial statements were available to be issued.

Note 2 - Accounts receivable

Accounts receivable are comprised of the following as of October 31:

	<u>2021</u>	<u>2020</u>
Membership fees	\$ 2,944	\$ 2,139
Annual charges	1,938	2,545
Other	<u>338</u>	<u>593</u>
Total accounts receivable	5,220	5,277
Less reserves for abatements and allowance for doubtful accounts	<u>641</u>	<u>1,515</u>
	<u>\$ 4,579</u>	<u>\$ 3,762</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:

Columbia Association, Inc.

**Notes to Financial Statements
October 31, 2021 and 2020
(in Thousands)**

	2021		2020	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 8	\$ 8	\$ 38	\$ 38
Government debt securities	6,623	6,610	3,544	3,566
Accrued interest	1	1	24	24
	<u>\$ 6,632</u>	<u>\$ 6,619</u>	<u>\$ 3,606</u>	<u>\$ 3,628</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:

	2021		2020	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 3,549	\$ 3,549	\$ 427	\$ 427
Government debt securities	-	-	3,173	3,174
	<u>\$ 3,549</u>	<u>\$ 3,549</u>	<u>\$ 3,600</u>	<u>\$ 3,601</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

Columbia Association, Inc.

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- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

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 October 31, 2021:

	Fair value measurements using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total
Government debt securities*	\$ -	\$ 6,610	\$ 6,610

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

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

Columbia Association, Inc.

**Notes to Financial Statements
October 31, 2021 and 2020
(in Thousands)**

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Total assets at quarter end	\$ 187,070	\$ 183,890
Less:		
Grant restricted to School Age Services	863	-
Emergency cash reserves	2,000	
Prepaid expenses and other assets	1,377	873
Risk management fund	6,619	3,628
Workers' compensation fund	3,549	3,601
Property, facilities and equipment, net	129,831	135,097
Intangible assets, net	<u>287</u>	<u>298</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 42,544</u>	<u>\$ 40,393</u>

Columbia Association has \$42,544 and \$40,393 of financial assets available within one year as of October 31, 2021 and 2020, respectively, on the statement of financial position date to meet cash needs for general and/or emergency expenditures. This consists of cash of \$37,965 and \$36,631 and net accounts receivable of \$4,579 and \$3,762 as of October 31, 2021 and 2020, 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 identified available financial assets are subject to any contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position; however, the June 25, 2020 loan documents do require that the Association maintain a minimum cash balance of \$3,000. See Notes 8 and 9.

In addition, in the event of unanticipated liquidity needs, the Association has a line of credit in the amount of \$20,000 of which \$-0- was committed as of October 31, 2021. See Note 8.

The Association's operating activity generates positive cash flow of approximately \$16,003 based on a five year average of cash provided by operating activities. The cash is used to fund capital projects, debt service and the emergency cash reserves when approved by the Board. Any additional funds needed for approved expenditures are obtained from line of credit borrowings.

Columbia Association, Inc.

**Notes to Financial Statements
October 31, 2021 and 2020
(in Thousands)**

Note 6 - Property, facilities and equipment, net

Property, facilities and equipment consist of the following as of October 31, 2021:

	<u>Cost basis</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	\$ 6,533	\$ -	\$ 6,533
Parks, lakes & related improvements	102,311	52,741	49,570
Buildings	139,181	75,649	63,532
Leasehold Improvements	5,555	3,366	2,189
Equipment and Vehicles	29,380	23,436	5,944
Other	2,066	3	2,063
Property, facilities and equipment	<u>\$ 285,026</u>	<u>\$ 155,195</u>	<u>\$ 129,831</u>

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>

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.

Columbia Association, Inc.

**Notes to Financial Statements
October 31, 2021 and 2020
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The net assessed value for assessment years beginning July 1 was as follows:

2021	\$13,460,941
2020	\$12,838,389

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 LIBOR plus 1.15%. Interest only on the outstanding principal balance was payable monthly beginning August 1, 2020. The line of credit matures on June 1, 2023. Additionally, the Association pays a quarterly unused commitment fee equal to 25 basis points of the principal amount of the line of credit that is 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, 2021 and 2020.

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 it 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 it matures in fiscal year 2028. The Association began making monthly principal and interest payments in August 2020. The portion of 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, 2021, the future loan principal payments by fiscal year are as follows:

2022	\$	2,347
2023		4,798
2024		4,942
2025		5,094
2026		5,250
2027 and thereafter		<u>11,805</u>
Total term loan		34,236
Less deferred financing costs, net		<u>161</u>
Term loan, net	\$	<u><u>34,075</u></u>

Capital lease obligation

The cost and accumulated amortization of equipment under capital leases were \$867 and \$157, respectively, as of October 31, 2021, and \$867 and \$37, respectively, as of October 31, 2020. As of October 31, 2021, the future minimum annual payments under capital leases are as follows:

2022	\$	60
2023		143
2024		143
2025		143
2026		143
2027 and thereafter		62
Total minimum lease payments		<u>694</u>
Less amount representing interest		<u>17</u>
Present value of net minimum lease payments	\$	<u><u>677</u></u>

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Note 10 - Net Assets with Donor Restrictions

Restricted net assets consists of the following as of October 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Grant restricted to School Age Services	<u>\$862,500</u>	<u>-</u>

The restricted net assets resulted from a School Age Services grant received in 2021 from the Maryland State Department of Education to support the CA School Age Services program in FY 2022. The amount is being used to pay for expenses of the School Age Services program and, to the extent possible, provide relief beyond that already provided to families struggling to make payments of copays and/or tuition. The grant period is September 6, 2021 through March 6, 2022.

Note 11 - Retirement benefit plan

Substantially all full-time and eligible part-time employees are covered by a defined contribution retirement benefit plan. Contributions through April 12, 2020, were based on 6% of eligible employees' salaries. Employees became fully vested after six years of service. However; effective April 13, 2020, due to the financial pressures from COVID-19, employer contributions were reduced to 3% and vest immediately. Expenses under this plan were \$203 and \$166 for the periods ended October 31, 2021 and 2020, respectively.

Note 12 - Commitments

The Association leases certain facilities and equipment under operating leases. Rental expense exclusive of these costs, was \$1,085 and \$965 for the periods ended October 31, 2021 and 2020, 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 \$766 and \$533 which was included in accounts payable and accrued expenses as of October 31, 2021 and 2020, respectively.

As of October 31, 2021, the Association's total commitment for minimum annual rentals, exclusive of maintenance and other occupancy costs, under non-cancellable operating leases is:

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2022	\$ 760
2023	1,675
2024	1,708
2025	1,743
2026	1,138
2027 and thereafter	<u>3,465</u>
Total	<u>\$ 10,489</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 \$236 and \$272 were included in accounts payable and accrued expenses as of October 31, 2021 and 2020, respectively.

On March 9, 2021, the Association entered into an amendment to the deed of lease for headquarters office space that provided for a 50% abatement of the base rent due under the lease for the months of January through December 2021 and extended the lease for a period of two years. The lease termination date will be October 31, 2030. The gross amount of the rent abatement is \$378. Accrued abatements of \$281 were included in accounts payable and accrued expenses as of October 31, 2021.

Estimated rental costs and unamortized rent abatement and tenant improvement allowance related to the lease for Haven on the Lake, which expires August 31, 2025, as well as potential sublease rental income and related expenses through the expiration date were accrued as of April 30, 2021, due to the closing of operations on that date. The revenue and expenses netted against the accrual for the quarter ended October 31, 2021 was \$824. A sublease for the rental of the space through August 28, 2025 was executed in May 2021.

Note 13 - Postretirement health care

The Association sponsors a defined postretirement medical benefit plan that covers both salaried and nonsalaried full-time employees and their spouses or surviving spouses. The postretirement health care plan is contributory. The Association will provide a maximum contribution of \$2.5 to retired employees and their spouses for employees who have 20 or more years of full-time service with the Association and have passed their 60th birthday. This contribution will decrease to a maximum of \$1.5 when the retiree reaches age 65. This benefit terminates on the 10th anniversary of the benefit commencement date. The employee contributes the remainder of the health care cost.

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The following table sets forth the funded status of the Association's postretirement health care benefit plan reconciled to the accrued postretirement benefits cost recognized by the Association as of April 30:

	<u>2021</u>	<u>2020</u>
Reconciliation of benefit obligations		
Obligation at beginning of year	\$ 829	\$ 729
Service cost	34	28
Interest cost	23	28
Actuarial loss	-	4
Plan amendments	-	56
Benefit payments	<u>(17)</u>	<u>(16)</u>
Obligation at end of year	<u>\$ 869</u>	<u>\$ 829</u>
Amount not yet recognized in net periodic postretirement benefit costs		
Unrecognized prior service cost (credit)	\$ 43	\$ 50
Unrecognized loss (gain)	<u>(140)</u>	<u>(140)</u>
Total amount not yet recognized in net periodic postretirement benefit costs	<u>\$ (97)</u>	<u>\$ (90)</u>
Net periodic postretirement benefit costs include		
Service cost	\$ 34	\$ 28
Interest cost	23	28
Amortization of net gain from prior periods	(6)	(19)
service cost	<u>6</u>	<u>6</u>
Net periodic postretirement benefit costs	<u>\$ 57</u>	<u>\$ 43</u>

The discount rate was 4.05% as of April 30, 2021 and 2020. The gross trend rate for health care coverage is 4.45% for all 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 as of April 30, 2021:

	<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	105	(92)

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

2022	\$ 34
2023	46
2024	51
2025	62
2026	62
2027 - 2030	<u>283</u>
	<u><u>\$ 538</u></u>

Note 14 - 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 \$1,112 and \$1,129 are included in accrued expenses as of October 31, 2021 and 2020. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

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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 \$1,733 and \$1,830 are included in accrued expenses as of October 31, 2021 and 2020, respectively. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

Note 15 - Concentration of credit risk

The Association maintains its cash balance in several accounts in various banks. At times, these balances may exceed the federal insurance limits; however, the Association has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of October 31, 2021.

Note 16 - 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 17 – COVID-19 impact

The Association's operations were negatively impacted in both fiscal years by the spread of the Coronavirus Disease (COVID-19), which was declared a worldwide pandemic by the World Health Organization on March 11, 2020. COVID-19 impacted various aspects of its 2020 and 2021 operations and financial results, including sport and fitness, community services, and open space and facility services. Management believes the Association is taking appropriate actions to mitigate the negative impacts.