

Columbia Association, Inc.

Financial Statements

January 31, 2022 and 2021

Columbia Association, Inc.

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Columbia Association, Inc.

**Statements of Financial Position
January 31, 2022 and 2021
(in Thousands)**

	2022	2021
Cash and cash equivalents	\$ 29,773	\$ 27,117
Grant restricted to School Age Services	135	-
Emergency cash reserves	2,000	-
Accounts receivable, net	3,239	2,377
Prepaid expenses and other assets	1,275	630
Risk management fund	6,602	3,624
Workers' compensation fund	3,549	3,601
Property, facilities and equipment, net	128,380	134,382
Intangible assets, net	287	298
 Total assets	 \$ 175,240	 \$ 172,029
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	14,790	11,261
Deferred revenue	4,703	3,897
	19,493	15,158
Term debt		
Term loans, net of deferred financing costs	32,919	37,491
Capital lease obligations	643	779
Total term debt	33,562	38,270
Total liabilities	53,055	53,428
Net assets		
Without donor restrictions	122,050	118,601
With donor restrictions	135	-
Total net assets	122,185	118,601
 Total liabilities and net assets	 \$ 175,240	 \$ 172,029

Columbia Association, Inc.

**Statements of Activities
January 31, 2022 and 2021
(in Thousands)**

	<u>2022</u>	<u>2021</u>
Revenue		
Annual charge	\$ 44,819	\$ 43,513
Community programs & services	16,898	10,572
Communications and marketing	141	182
Community operations	258	328
Village community associations	(12)	(33)
Interest income and other	84	76
Unrealized loss on marketable securities	<u>(24)</u>	<u>(29)</u>
Total revenue	<u>62,164</u>	<u>54,609</u>
Expenses		
Program services:		
Community programs & services	20,550	17,221
Communications and marketing	1,473	922
Community operations	11,092	8,732
Village community associations	<u>3,708</u>	<u>4,232</u>
Total program services	36,823	31,107
Supporting services:		
Administrative	<u>7,070</u>	<u>5,817</u>
Total expenses	<u>43,893</u>	<u>36,924</u>
Increase in net assets without donor restrictions	18,271	17,685
Change in net assets with donor restrictions:		
Grant restricted to School Age Services	863	-
Satisfaction of program restrictions	<u>(728)</u>	<u>-</u>
Increase in net assets with donor restrictions	135	-
Increase in total net assets	18,406	17,685
Net assets, beginning	<u>103,779</u>	<u>100,916</u>
Net assets, ending	<u>\$ 122,185</u>	<u>\$ 118,601</u>

Columbia Association, Inc.

**Statements of Functional Expenses
January 31, 2022
(in Thousands)**

	Community Programs & Services	Communications and Marketing	Community Operations	Village Community Associations	Total Program	Administrative	Total
Personnel Expenses	\$ 10,816	\$ 1,266	\$ 4,035	\$ -	\$ 16,117	\$ 3,960	\$ 20,077
Operating Supplies/Expenses	765	337	337	9	1,448	88	1,536
Technology Supplies/Expenses	81	16	23	-	120	897	1,017
Collection and Treasury Expenses	189	151	1	-	341	64	405
Fees	501	38	1,741	111	2,391	1,015	3,406
Comm. Assoc. Annual Charge Share Grant	-	-	-	2,561	2,561	-	2,561
Temporary Funding & Grants Expense	-	-	-	-	-	-	-
Rentals	886	224	102	-	1,212	438	1,650
Utilities	1,115	7	72	4	1,198	213	1,411
Insurance & Taxes	665	4	247	39	955	167	1,122
Repairs & Maintenance	1,499	46	1,065	142	2,752	38	2,790
Depreciation	4,768	30	3,116	776	8,690	164	8,854
Non-Operating Exp/Contingencies	(1,113)			-	(1,113)	25	(1,088)
Allocations	1,106	(646)	353	66	879	1	880
Total functional expenses	\$ 21,278	\$ 1,473	\$ 11,092	\$ 3,708	\$ 37,551	\$ 7,070	\$ 44,621

Columbia Association, Inc.

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

	Community Programs & Services *	Communications and Marketing	Community Operations	Village Community Associations	Total Program	Administrative	Total
Personnel Expenses	\$ 6,754	\$ 926	\$ 3,081		\$ 10,761	\$ 3,248	\$ 14,009
Operating Supplies/Expenses	383	156	193	8	740	57	797
Technology Supplies/Expenses	29	36	19	-	84	854	938
Collection and Treasury Expenses	100	186	1	-	287	53	340
Fees	228	74	1,145	127	1,574	696	2,270
Comm. Assoc. Annual Charge Share Grant	-	-	-	3,103	3,103	-	3,103
Temporary Funding & Grants Expense	-	-	-	-	-	45	45
Rentals	976	174	71	-	1,221	314	1,535
Utilities	812	8	77	6	903	209	1,112
Insurance & Taxes	666	4	208	41	919	139	1,058
Repairs & Maintenance	1,229	12	661	107	2,009	5	2,014
Depreciation	4,880	39	2,947	777	8,643	169	8,812
Allocations	1,164	(693)	329	63	863	28	891
Total functional expenses	\$ 17,221	\$ 922	\$ 8,732	\$ 4,232	\$ 31,107	\$ 5,817	\$ 36,924

Columbia Association, Inc.

Statements of Cash Flows
January 31, 2022 and 2021
(in Thousands)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Increase in net assets	\$ 18,406	\$ 17,685
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation expense and amortization	8,854	8,812
Bad debt expense	8	101
Amortization of deferred financing costs	35	37
Loss (gain) on disposal of fixed assets	122	74
Unrealized loss (gain) on marketable securities	24	30
Changes in operating assets and liabilities		
Accounts receivable	(900)	(456)
Prepaid expenses and other assets	42	(136)
Accounts payable and accrued expenses	(2,167)	(3,013)
Deferred revenue	833	199
Net cash provided by operating activities	<u>25,257</u>	<u>23,333</u>
Cash flows from investing activities		
Purchases of investments held by trustees	(2,043)	(4,854)
Proceeds from maturities of investments held by trustees	90	4,805
Purchase of property, facilities and equipment	(4,567)	(4,391)
Proceeds from the sale of equipment	5	14
Proceeds from the sale of intangible assets	-	21
Net cash used in investing activities	<u>(6,515)</u>	<u>(4,405)</u>
Cash flows from financing activities		
Net repayments on line of credit	-	(9,746)
Net new lease/principal payments on capital lease obligations	(114)	725
Term loan proceeds	-	20,000
Term loan issuance/financing costs	-	(136)
Term loan principal payments	(3,477)	(2,714)
Net cash provided by (used in) financing activities	<u>(3,591)</u>	<u>8,129</u>
Net increase in cash equivalents and restricted cash	15,151	27,057
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>\$ 31,908</u>	<u>\$ 27,117</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 891</u>	<u>\$ 891</u>

Columbia Association, Inc.

**Notes to Financial Statements
January 31, 2022 and 2021
(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.

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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 January 31, 2022 and 2021, 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 January 31, 2022 and 2021 was \$171 and \$122, respectively. Amortization expense for the periods ended January 31, 2022 and 2021 was \$35 and \$37, respectively. Estimated future amortization expense is as follows:

Year ending April 30,	Amortization expense
2022	\$ 12
2023	40
2024	33
2025	26
2026	19
2027 and thereafter	20
	<u>\$ 150</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.

Community Programs and Services

Community Programs and Services revenue is primarily comprised of memberships, tuition and enrollment, 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.

Tuition and Enrollment -

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

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services are provided. Unearned tuition payments are reflected as deferred revenue on the statement of financial position. Services during the period ended January 31, 2021, 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 enrollment 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.

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 Art Center, pro shops at the golf courses, tennis clubs, etc. The Association recognizes revenue at the time of sale.

Deferred Revenue

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

	<u>2022</u>	<u>2021</u>
Membership fees	\$ 3,129	\$ 2,432
School Age Services	525	604
Other	<u>1,049</u>	<u>861</u>
Total Deferred Income	<u>\$ 4,703</u>	<u>\$ 3,897</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 \$286 and \$116 for the periods ended January 31, 2022 and 2021, 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 January 31, 2022 and 2021.

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 March 15, 2022, the date the financial statements were available to be issued.

Note 2 - Accounts receivable

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

	<u>2022</u>	<u>2021</u>
Membership fees	\$ 2,516	\$ 1,769
Annual charges	1,210	1,068
Other	<u>148</u>	<u>453</u>
Total accounts receivable	3,874	3,290
Less reserves for abatements and allowance for doubtful accounts	635	913
	<u>\$ 3,239</u>	<u>\$ 2,377</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 January 31:

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(in Thousands)**

	2022		2021	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 368	\$ 368	\$ 38	\$ 38
Government debt securities	6,261	6,234	3,556	3,569
Accrued interest			17	17
	<u>\$ 6,629</u>	<u>\$ 6,602</u>	<u>\$ 3,611</u>	<u>\$ 3,624</u>

Workers' compensation fund

Investments included in the workers' compensation fund are held by a Trustee in a portfolio, which consists of the following as of January 31:

	2022		2021	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	\$ 3,549	\$ 3,549	\$ 2,101	\$ 2,101
Government debt securities	-	-	1,500	1,500
Accrued interest	-	-	-	-
	<u>\$ 3,549</u>	<u>\$ 3,549</u>	<u>\$ 3,601</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

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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 January 31, 2022:

	<u>Fair value measurements using</u>		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total
Government debt securities*	\$ -	\$ 6,234	\$ 6,234

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of January 31, 2021:

	<u>Fair value measurements using</u>		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total
Government debt securities*	\$ -	\$ 5,069	\$ 5,069

*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
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(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 January 31, 2022 and 2021:

	2022	2021
Total assets at quarter end	\$ 175,240	\$ 172,029
Less:		
Grant restricted to School Age Services	135	-
Emergency cash reserves	2,000	
Prepaid expenses and other assets	1,275	630
Risk management fund	6,602	3,624
Workers' compensation fund	3,549	3,601
Property, facilities and equipment, net	128,380	134,382
Intangible assets, net	287	298
Financial assets available to meet cash needs for general expenditures within one year	\$ 33,012	\$ 29,494

Columbia Association has \$33,012 and \$29,494 of financial assets available within one year as of January 31, 2022 and 2021, respectively, on the statement of financial position date to meet cash needs for general and/or emergency expenditures. This consists of cash of \$29,773 and \$27,117 and net accounts receivable of \$3,239 and \$2,377 as of January 31, 2022 and 2021, 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 January 31, 2022. 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.

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

Property, facilities and equipment consist of the following as of January 31, 2022:

	<u>Cost basis</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	\$ 6,533	\$ -	\$ 6,533
Parks, lakes & related improvements	103,813	53,587	50,226
Buildings	139,582	76,794	62,788
Leasehold Improvements	5,555	3,502	2,053
Equipment and Vehicles	29,368	23,780	5,588
Other	1,195	3	1,192
Property, facilities and equipment	<u>\$ 286,046</u>	<u>\$ 157,666</u>	<u>\$ 128,380</u>

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

	<u>Cost basis</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	\$ 6,533	\$ -	\$ 6,533
Parks, lakes & related improvements	98,903	49,807	49,096
Buildings	138,219	72,140	66,079
Leasehold Improvements	5,572	2,966	2,606
Equipment and Vehicles	29,685	23,070	6,615
Other	3,480	27	3,453
Property, facilities and equipment	<u>\$ 282,392</u>	<u>\$ 148,010</u>	<u>\$ 134,382</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	\$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 18 basis points of the principal amount of the line of credit that is unused.

Through June 25, 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 January 31, 2022 and 2021.

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 January 31, 2022, the future loan principal payments by fiscal year are as follows:

2022	\$	1,179
2023		4,798
2024		4,942
2025		5,094
2026		5,250
2027 and thereafter		<u>11,805</u>
Total term loan		33,068
Less deferred financing costs, net		<u>149</u>
Term loan, net	\$	<u><u>32,919</u></u>

Capital lease obligation

The cost and accumulated amortization of equipment under capital leases were \$867 and \$192, respectively, as of January 31, 2022, and \$867 and \$61, respectively, as of January 31, 2021. As of January 31, 2022, the future minimum annual payments under capital leases are as follows:

2022	\$	24
2023		143
2024		143
2025		143
2026		143
2027 and thereafter		62
Total minimum lease payments		<u>658</u>
Less amount representing interest		<u>15</u>
Present value of net minimum lease payments	\$	<u><u>643</u></u>

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Note 10 - Net Assets with Donor Restrictions

Restricted net assets consists of the following as of January 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Grant restricted to School Age Services	\$ 862,500	-
Personnel Expenses	(659,039)	
Operating Supplies/Expenses	<u>(68,077)</u>	
Total restricted net assets	<u>\$135,384</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 vested immediately. Effective January 2022, plan employer contributions were increased back to 6% with the previous vesting schedule. Expenses under this plan were \$373 and \$281 for the periods ended January 31, 2022 and 2021, respectively.

Note 12 - Commitments

The Association leases certain facilities and equipment under operating leases. Rental expense exclusive of these costs, was \$1,627 and \$1,440 for the periods ended January 31, 2022 and 2021, 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 \$820 and \$536 which was included in accounts payable and accrued expenses as of January 31, 2022 and 2021, respectively.

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As of January 31, 2022, the Association's total commitment for minimum annual rentals, exclusive of maintenance and other occupancy costs, under non-cancellable operating leases is:

2022	\$ 412
2023	1,675
2024	1,708
2025	1,743
2026	1,138
2027 and thereafter	<u>3,465</u>
Total	<u>\$ 10,141</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 \$227 and \$263 were included in accounts payable and accrued expenses as of January 31, 2022 and 2021, 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 \$366 were included in accounts payable and accrued expenses as of January 31, 2022.

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 January 31, 2022 was \$1,113. 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 annually 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 service cost	<u>(6)</u>	<u>(19)</u>
	6	6
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		283
		283
	\$	538

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 \$1,128 are included in accrued expenses as of January 31, 2022 and 2021. 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 \$1,717 and \$1,805 are included in accrued expenses as of January 31, 2022 and 2021, 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 January 31, 2022.

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 continues to impact various aspects of 2021 and 2022 operations and financial results, including community programs and services, and open space facilities and related activities. Management believes the Association is taking appropriate actions to mitigate the negative impacts.