

**Columbia Association, Inc.**

**Financial Statements**

**April 30, 2022 and 2021**



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Columbia Association, Inc.

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Columbia Association, Inc.  
Columbia, Maryland

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Columbia Association, Inc. (the Association), which comprise the statements of financial position as of April 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association, Inc. as of April 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
July 29, 2022

**Columbia Association, Inc.**

**Statements of Financial Position  
Years Ended April 30, 2022 and 2021  
(in Thousands)**

Assets

	2022	2021
Cash, cash equivalents, and restricted cash	\$ 20,813	\$ 14,757
Emergency cash reserves	5,133	2,000
Accounts receivable, net	3,341	2,347
Prepaid expenses and other assets	1,233	1,317
Risk management fund	6,545	4,627
Workers' compensation fund	3,547	3,595
Property, facilities and equipment, net	127,737	132,794
Intangible assets, net	287	287
Total assets	\$ 168,636	\$ 161,724

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	16,254	16,957
Deferred revenue	5,444	3,870
Refundable advance	351	-
	22,049	20,827
Term debt		
Term loan, net of deferred financing costs	31,752	36,361
Capital lease obligations	620	757
Total term debt	32,372	37,118
Total liabilities	54,421	57,945
Net assets		
Net assets without donor restrictions	114,215	103,779
With donor restrictions	-	-
Total net assets	114,215	103,779
Total liabilities and net assets	\$ 168,636	\$ 161,724

**Columbia Association, Inc.**

**Statements of Activities  
Years Ended April 30, 2022 and 2021  
(in Thousands)**

	2022	2021
Revenue		
Annual charge	\$ 44,818	\$ 43,504
Community programs and services	22,675	14,649
Communications and marketing	176	246
Community operations	341	319
Village community associations	(52)	(59)
Interest income and other	4,419	106
Unrealized loss on marketable securities	(68)	(46)
Loss on Haven closure	-	(4,117)
Total revenue	72,309	54,602
Net assets released from restriction	863	-
	73,172	54,602
Expenses		
Program services:		
Community programs and services	29,786	23,989
Communications and marketing	2,174	1,467
Community operations	15,399	12,563
Village community associations	5,235	4,982
Total program services	52,594	43,001
Supporting services:		
Administrative	10,142	8,738
Total expenses	62,736	51,739
Increase in net assets without donor restrictions	10,436	2,863
Changes in net assets with donor restrictions - time and purpose		
Grant restricted to School Age Services	863	-
Satisfaction of program restrictions	(863)	-
Change in net assets with donor restrictions -	-	-
Total change in net assets	10,436	2,863
Net assets, beginning of year	103,779	100,916
Net assets, ending of year	\$ 114,215	\$ 103,779

**Columbia Association, Inc.**

**Statements of Functional Expenses  
Year Ended April 30, 2022  
(in Thousands)**

	<b>Community Programs and Services</b>	<b>Communications and Marketing</b>	<b>Community Operations</b>	<b>Village Community Associations</b>	<b>Total Program</b>	<b>Administrative</b>	<b>Total</b>
Personnel Expenses Operating	\$ 15,255	\$ 1,722	\$ 5,559	\$ -	\$ 22,536	\$ 5,728	\$ 28,264
Supplies/Expenses Technology	1,190	550	493	10	2,243	132	2,375
Supplies/Expenses Collection and	135	51	33	-	219	1,267	1,486
Treasury Expenses	246	225	2	-	473	90	563
Fees	619	135	2,471	217	3,442	1,566	5,008
Comm. Assoc. Annual Charge Share Grant	-	-	-	3,606	3,606	-	3,606
Rentals	1,272	297	156	-	1,725	580	2,305
Utilities	1,521	10	100	8	1,639	287	1,926
Insurance and Taxes	891	5	331	52	1,279	224	1,503
Repairs and Maintenance	2,266	49	1,604	216	4,135	8	4,143
Depreciation	6,341	40	4,189	1,039	11,609	226	11,835
Non-Operating Exp/Contingencies	(1,460)	-	-	-	(1,460)	-	(1,460)
Allocations	1,510	(910)	461	87	1,148	34	1,182
<b>Total functional expenses</b>	<b>\$ 29,786</b>	<b>\$ 2,174</b>	<b>\$ 15,399</b>	<b>\$ 5,235</b>	<b>\$ 52,594</b>	<b>\$ 10,142</b>	<b>\$ 62,736</b>

**Columbia Association, Inc.**

**Statements of Functional Expenses  
Year Ended April 30, 2021  
(in Thousands)**

	<b>Community Programs and Services</b>	<b>Communications and Marketing</b>	<b>Community Operations</b>	<b>Village Community Associations</b>	<b>Total Program</b>	<b>Administrative</b>	<b>Total</b>
Personnel Expenses	\$ 9,668	\$ 1,305	\$ 4,324	\$ -	\$ 15,297	\$ 4,924	\$ 20,221
Operating Supplies/Expenses	549	350	342	10	1,251	101	1,352
Technology Supplies/Expenses	54	42	31	-	127	1,107	1,234
Collection and Treasury Expenses	133	240	1	-	374	121	495
Fees	347	97	1,678	215	2,337	1,236	3,573
Comm. Assoc. Annual Charge Share Grant	-	-	-	3,394	3,394	-	3,394
Temporary Funding and Grants Expense	-	-	-	-	-	45	45
Rentals	1,346	236	105	-	1,687	428	2,115
Utilities	1,157	11	103	5	1,276	285	1,561
Insurance and Taxes	889	5	283	55	1,232	192	1,424
Repairs and Maintenance	1,856	14	1,181	177	3,228	9	3,237
Depreciation	6,502	50	4,060	1,041	11,653	224	11,877
Allocations	1,488	(883)	455	85	1,145	66	1,211
<b>Total functional expenses</b>	<b>\$ 23,989</b>	<b>\$ 1,467</b>	<b>\$ 12,563</b>	<b>\$ 4,982</b>	<b>\$ 43,001</b>	<b>\$ 8,738</b>	<b>\$ 51,739</b>



**Columbia Association, Inc.**

**Statements of Cash Flows**  
**Years Ended April 30, 2022 and 2021**  
**(in Thousands)**

	2022	2021
Cash flows from operating activities		
Increase in net assets	\$ 10,436	\$ 2,863
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation expense and amortization	11,835	11,877
Bad debt expense	8	175
Amortization of deferred financing costs	46	52
Loss on disposal of fixed assets	279	281
Gain on disposal of intangible assets	-	(8)
Unrealized loss on marketable securities	68	46
Changes in operating assets and liabilities		
Accounts receivable	(1,002)	(500)
Prepaid expenses and other assets	84	(823)
Accounts payable and accrued expenses	(703)	2,683
Deferred revenue	1,574	172
Refundable advance	351	-
	<u>22,976</u>	<u>16,818</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchases of investments held by trustees	(2,053)	(9,443)
Proceeds from maturities of investments held by trustees	115	8,381
Purchase of property, facilities and equipment	(7,128)	(6,121)
Proceeds from the sale of equipment	71	60
Proceeds from sale of intangible assets	-	40
	<u>(8,995)</u>	<u>(7,083)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Net repayments on line of credit	-	(9,746)
Principal payments/credits on capital lease obligations	(137)	703
Term loan proceeds	-	20,000
Term loan issuance/financing costs	-	(136)
Term loan principal payments	(4,655)	(3,859)
	<u>(4,792)</u>	<u>6,962</u>
Net cash provided by (used in) financing activities		
Net increase in cash, cash equivalents, and restricted cash	9,189	16,697
Cash, cash equivalents, and restricted cash, beginning	<u>16,757</u>	<u>60</u>
Cash, cash equivalents, and restricted cash, ending	<u>\$ 25,946</u>	<u>\$ 16,757</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 1,162</u>	<u>\$ 1,207</u>

## Columbia Association, Inc.

### Notes to Financial Statements Years Ended April 30, 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 generally elected by residential and commercial property owners in each of the ten village community associations. Each village community association has its own election requirements and manages its own election according to its governing documents.

##### 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, cash equivalents, and restricted cash

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. As of April 2022, the Board approved additional emergency cash reserves of \$3,133, bringing the reserve balance as of April 30, 2022 to \$5,133. 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.**

**Notes to Financial Statements  
Years Ended April 30, 2022 and 2021  
(in Thousands)**

**Workers' compensation fund**

The Association has a self-insurance program for workers' compensation. Under this program, the Association has a workers' compensation fund for its estimate of the ultimate cost of both asserted and unasserted claims from reported workers' compensation incidents and estimated losses from unreported incidents. Claims and fund expenses are paid directly out of the workers' compensation fund. The program includes a trust deposit escrow account in the name of Maryland Workers' Compensation Commission for the benefit of the Association. The investment level of the fund is periodically reviewed by the State of Maryland Workers' Compensation Commission and by independent actuaries.

**Investments held by trustees**

Investments held by trustees consisting of money market funds and U.S. Government mortgage bonds and treasuries are stated at fair value and are reflected in the risk management fund and workers' compensation fund on the statements of financial position.

**Property, facilities and equipment, net**

Land includes approximately 3,600 acres of land that has been contributed to the Association since the establishment of the community of Columbia and is recorded at zero value. The contributed land is subject to a zoning ordinance limiting its usage to public or community usage. Costs of parks, lakes and related permanent land improvements are accounted for as land and are not depreciated because they have an indefinite useful life. Facilities, equipment and land improvements that have a limited life are stated at cost and are depreciated using the straight-line method.

<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 April 30, 2022 and 2021, respectively.

## Columbia Association, Inc.

### Notes to Financial Statements Years Ended April 30, 2022 and 2021 (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 April 30, 2022 and 2021 was \$183 and \$137, respectively. Amortization expense for the periods ended April 30, 2022 and 2021 was \$46 and \$52, respectively. Estimated future amortization expense is as follows:

Year ending April 30,	Amortization expense
2023	\$ 40
2024	33
2025	26
2026	19
2027	12
2028 and thereafter	7
	<u>\$ 137</u>

#### Net assets

The Association is required to report information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions.

Net assets without donor restrictions are those net assets that are not subject to donor-imposed restrictions.

Net assets with donor restrictions are subject to donor or grantor stipulations that limit the use of their contributions. Donor restrictions may result in time or purpose restricted net assets, where the use of contributions is limited by donor-imposed stipulations that either expire by the passage of time or when used for specified purposes. Donor restrictions may also result from endowed net assets, where the donor stipulations neither expire by the passage of time nor can be fulfilled or otherwise removed by the Association's actions. The Association had no net assets with donor restrictions at April 30, 2022 and 2021.

#### 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.

## Columbia Association, Inc.

### Notes to Financial Statements Years Ended April 30, 2022 and 2021 (in Thousands)

#### Grant contributions

The Association recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give; that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

#### 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 generally 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 period ended April 30, 2022, were limited due to the pandemic, and an inability to recruit qualified staff, which resulted in some school locations operating at less than capacity.

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, and three are planned for the summer of 2022.

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 April 30:

	2022	2021	2020
Membership fees	\$ 3,784	\$ 2,472	\$ 2,142
School age services	499	587	789
Camps	100	45	-
Other	1,061	766	767
	<u>\$ 5,444</u>	<u>\$ 3,870</u>	<u>\$ 3,698</u>

## **Columbia Association, Inc.**

### **Notes to Financial Statements Years Ended April 30, 2022 and 2021 (in Thousands)**

#### **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 increases and/or rent concessions 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 \$476 and \$298 for the periods ended April 30, 2022 and 2021, respectively.

#### **Income taxes**

The Association is exempt under Section 501(c) (4) of the Internal Revenue Code. However, the Association is subject to federal and state taxes on unrelated business income, if any. Net unrelated business income was \$0 for the periods ended April 30, 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 July 29, 2022, the date the financial statements were available to be issued.

**Columbia Association, Inc.**

**Notes to Financial Statements  
Years Ended April 30, 2022 and 2021  
(in Thousands)**

**Note 2 - Accounts receivable**

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Membership fees	\$ 3,108	\$ 1,915	\$ 1,795
Annual charges	743	887	647
Other	<u>142</u>	<u>222</u>	<u>499</u>
Total accounts receivable	3,993	3,024	2,941
Less reserves for abatements and allowance for doubtful accounts	<u>652</u>	<u>677</u>	<u>919</u>
	<u><u>\$ 3,341</u></u>	<u><u>\$ 2,347</u></u>	<u><u>\$ 2,022</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 April 30:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash and cash equivalents	\$ 23	\$ 23	\$ 308	\$ 308
Government debt securities	6,593	6,522	4,319	4,316
Accrued interest	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
	<u><u>\$ 6,616</u></u>	<u><u>\$ 6,545</u></u>	<u><u>\$ 4,630</u></u>	<u><u>\$ 4,627</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 April 30:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash and cash equivalents	\$ 3,547	\$ 3,547	\$ 3,595	\$ 3,595
	<u><u>\$ 3,547</u></u>	<u><u>\$ 3,547</u></u>	<u><u>\$ 3,595</u></u>	<u><u>\$ 3,595</u></u>

**Columbia Association, Inc.**

**Notes to Financial Statements**  
**Years Ended April 30, 2022 and 2021**  
**(in Thousands)**

**Note 4 - Fair value measurements**

In determining fair value, the Association uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

Professional guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The levels within the hierarchy based on the reliability of inputs 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.

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of April 30, 2022:

	Fair value measurements using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Total
Government debt securities*	\$ -	\$ 6,522	\$ 6,522



**Columbia Association, Inc.**

**Notes to Financial Statements  
Years Ended April 30, 2022 and 2021  
(in Thousands)**

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of April 30, 2021:

	Fair value measurements using		Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	
Government debt securities*	\$ -	\$ 4,316	\$ 4,316

\*Government debt securities are included in the risk management fund as discussed in Note 3.

**Note 5 – Liquidity**

Columbia Association, Inc. financial assets available within one year of the statement of financial position date for general expenditures are as follows as of April 30, 2022 and 2021:

	2022	2021
Total assets at year end	\$ 168,636	\$ 161,724
Less:		
Refundable advance	351	-
Emergency cash reserves	5,133	2,000
Prepaid expenses and other assets	1,233	1,317
Risk management fund	6,545	4,627
Workers' compensation fund	3,547	3,595
Property, facilities and equipment, net	127,737	132,794
Intangible assets, net	287	287
Financial assets available to meet cash needs for general expenditures within one year	\$ 23,803	\$ 17,104

Columbia Association has \$23,803 and \$17,104 of financial assets available within one year as of April 30, 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 \$20,462 and \$14,757 and net accounts receivable of \$3,341 and \$2,347 as of April 30, 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 9 and 10.

**Columbia Association, Inc.**

**Notes to Financial Statements  
Years Ended April 30, 2022 and 2021  
(in Thousands)**

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 April 30, 2022. See Note 9.

The Association's operating activity generates positive cash flow of approximately \$17,529 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.

**Note 6 - Property, facilities and equipment, net**

Property, facilities and equipment consist of the following as of April 30, 2022:

	<u>Cost basis</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	\$ 6,533	\$ -	\$ 6,533
Parks, lakes, and related improvements	102,640	52,981	49,659
Buildings and recreation facilities	139,415	77,496	61,919
Leasehold improvements	5,555	3,638	1,917
Equipment and vehicles	29,223	23,446	5,777
Other	1,936	4	1,932
Property, facilities, and equipment	<u>\$ 285,302</u>	<u>\$ 157,565</u>	<u>\$ 127,737</u>

Property, facilities and equipment consist of the following as of April 30, 2021:

	<u>Cost basis</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	\$ 6,533	\$ -	\$ 6,533
Parks, lakes, and related improvements	101,222	50,788	50,434
Buildings and recreation facilities	138,469	73,204	65,265
Leasehold improvements	5,555	3,093	2,462
Equipment and vehicles	29,106	22,648	6,458
Other	1,646	4	1,642
Property, facilities, and equipment	<u>\$ 282,531</u>	<u>\$ 149,737</u>	<u>\$ 132,794</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 2022 and 2021) 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 2022 and 2021.

**Columbia Association, Inc.**

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

2022	\$	13,460,941
2021		12,838,389

**Note 8 – Employee Retention Tax Credit**

In fiscal year ended April 30, 2022, the Association received a \$4.3 million Employee Retention Tax Credit (ERTC), recorded within the “Interest income and other” line in the 2022 Statement of Activities. The ERTC was created by the Coronavirus Aid, Relief and Economic Security (CARES) Act, signed into law in March 2020, to encourage businesses to keep employees on their payroll. This grant, related to the first and second calendar quarters of calendar year 2021, was used to pay one-time retention bonuses to all team members and to supplement emergency cash reserves.

Eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors are subject to review. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Association’s financial position.

**Note 9 - 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. Outstanding balances bear interest at LIBOR plus 1.15%. The line of credit matures on June 1, 2023. Additionally, the Association pays a quarterly unused commitment fee, which was reduced from 25 to 18 basis points on February 14, 2022.

The Association had \$-0- outstanding under the line of credit as of April 30, 2022 and 2021.

**Note 10 - 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.

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As of April 30, 2022, the future loan principal payments by fiscal year are as follows:

2023	\$	4,798
2024		4,942
2025		5,094
2026		5,250
2027		5,410
2028 and thereafter		6,396
Total term loan		31,890
Less deferred financing costs, net		138
Term loan, net	\$	31,752

**Capital lease obligation**

The cost and accumulated amortization of equipment under capital leases were \$867 and \$228, respectively, as of April 30, 2022, and \$867 and \$86, respectively, as of April 30, 2021. As of April 30, 2022, the future minimum annual payments under capital leases are as follows:

2023	\$	143
2024		143
2025		143
2026		143
2027		62
Total minimum lease payments		634
Less amount representing interest		14
Present value of net minimum lease payments	\$	620

**Note 11 - Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of the following as of April 30, 2022 and 2021:

	2022	2021
Grant restricted to School Age Services	\$ 863	\$ -
Satisfaction of program restrictions	(863)	-
Total net assets with donor restrictions	\$ -	\$ -

**Columbia Association, Inc.**

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The net assets with donor restrictions resulted from a School Age Services grant received in 2021 from the Maryland State Department of Education to support the Association's School Age Services program in FY 2022. The amount was 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 was September 6, 2021 through March 6, 2022.

Additionally, as of April 30, 2022, a second round of grant funding approximating \$351 was received from the same state program. This amount is included in deferred revenue, as opposed to the statement of activities, because the conditions associated with the grant have not been met. The contributions amount is subject to a right of return, in full or in part, if the Association furloughs and/or does not pay wages and benefits to School Age Services team members throughout the grant period that ends December 31, 2022.

**Note 12 - 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 \$679 and \$402 for the periods ended April 30, 2022 and 2021, respectively.

**Note 13 - Commitments**

The Association leases certain facilities and equipment under operating leases. Rental expense exclusive of these costs, was \$2,233 and \$2,003 for the periods ended April 30, 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 \$874 and \$658 which was included in accounts payable and accrued expenses as of April 30, 2022 and 2021, respectively.

**Columbia Association, Inc.**

**Notes to Financial Statements  
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As of April 30, 2022, the Association's total commitment for minimum annual rentals, exclusive of maintenance and other occupancy costs, under non-cancellable operating leases is:

2023	\$	1,675
2024		1,708
2025		1,743
2026		1,138
2027		841
2028 and Thereafter		<u>2,623</u>
Total	\$	<u>9,728</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 \$218 and \$254 were included in accounts payable and accrued expenses as of April 30, 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 \$324 and \$111 were included in accounts payable and accrued expenses as of April 30, 2022 and 2021, respectively.

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 year ended April 30, 2022 was \$1,460. A sublease for the rental of the space through August 28, 2025 was executed in May 2021.

**Note 14 - 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 10<sup>th</sup> 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>2022</u>	<u>2021</u>
Reconciliation of benefit obligations		
Obligation at beginning of year	\$ 869	\$ 829
Service cost	36	34
Interest cost	24	23
Actuarial loss	-	-
Plan amendments	-	-
Benefit payments	<u>(26)</u>	<u>(17)</u>
Obligation at end of year	<u>\$ 903</u>	<u>\$ 869</u>
Amount not yet recognized in net periodic postretirement benefit costs		
Unrecognized prior service credit	\$ 37	\$ 43
Unrecognized gain (loss)	<u>(140)</u>	<u>(140)</u>
Total amount not yet recognized in net periodic postretirement benefit costs	<u>\$ (103)</u>	<u>\$ (97)</u>
Net periodic postretirement benefit costs include		
Service cost	\$ 36	\$ 34
Interest cost	24	23
Amortization of net gain from prior periods	(6)	(6)
Amortization of unrecognized prior service cost	<u>6</u>	<u>6</u>
Net periodic postretirement benefit costs	<u>\$ 60</u>	<u>\$ 57</u>

The discount rate was 4.05% as of April 30, 2022 and 2021. 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, 2022:

	<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	109	(95)

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

2023	\$ 46
2024	51
2025	62
2026	62
2027	62
2028 - 2030	221

**Note 15 - 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 \$1,109 and \$1,125 are included in accrued expenses as of April 30, 2022 and 2021. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

**Reserve for workers' compensation self-insurance**

Under its workers' compensation self-insurance plan, the Association accrues the estimated expense of workers' compensation claims based on claims filed subsequent to year end and an additional amount for incurred, but not yet reported claims based on prior experience.

Accruals for such costs of \$2,163 and \$2,307 are included in accrued expenses as of April 30, 2022 and 2021, respectively. Claim payments based on actual claims ultimately filed could differ materially from these estimates.



**Columbia Association, Inc.**

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**Note 16 - Concentration of credit risk**

The Association maintains its cash balance in several accounts in various banks. At times, these balances may exceed the federal insurance limits; however, the Association has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of April 30, 2022.

**Note 17 - 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 18 – 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, community operations and related activities. Management believes the Association is taking appropriate actions to mitigate the negative impacts.