

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

COLUMBIA ASSOCIATION, INC.

APRIL 30, 2012 AND 2011

Columbia Association, Inc.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Columbia Association, Inc.

We have audited the accompanying statement of financial position of Columbia Association, Inc. as of April 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Columbia Association, Inc. as of and for the year ended April 30, 2011, were audited by other auditors whose report, dated July 22, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbia Association, Inc. as of April 30, 2012, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented on pages 25 to 27 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information as of and for the year ended April 30, 2012, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves,

and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The information as of and for the year ended April 30, 2011, was audited by other auditors whose report dated July 22, 2011, expressed an unqualified opinion on those statements.

Reznick Group, P.C.

Baltimore, Maryland
July 25, 2012

Columbia Association, Inc.

STATEMENTS OF FINANCIAL POSITION

April 30, 2012 and 2011
(in thousands)

ASSETS

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 74	\$ 77
Accounts receivable, net	15,292	14,250
Prepaid expenses and other assets	1,456	1,308
Debt service fund	692	957
Risk management fund	6,772	6,923
Workers' compensation fund	1,955	1,670
Property, facilities and equipment, net	100,972	100,176
Intangible assets, net	319	319
Deferred bond issuance/financing costs, net	19	36
	<u>\$ 127,551</u>	<u>\$ 125,716</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Line of credit	\$ 16,838	\$ 14,755
Accrued interest	620	878
Accounts payable and accrued expenses	10,818	11,543
Deferred revenue	15,895	15,061
	<u>44,171</u>	<u>42,237</u>

Term debt

Senior secured bonds	16,005	21,415
Term loan	1,607	3,110
Capital lease obligations	54	149
	<u>17,666</u>	<u>24,674</u>

Total term debt	<u>17,666</u>	<u>24,674</u>
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Total liabilities	61,837	66,911
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NET ASSETS

Unrestricted	<u>65,714</u>	<u>58,805</u>
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Total liabilities and net assets	<u>\$ 127,551</u>	<u>\$ 125,716</u>
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See notes to financial statements

Columbia Association, Inc.

STATEMENTS OF ACTIVITIES

Years ended April 30, 2012 and 2011
(in thousands)

	<u>2012</u>	<u>2011</u>
Revenue		
Service bureaus		
Administrative		
Property assessments	\$ 33,449	\$ 32,436
Interest income and other	(96)	113
Unrealized gain on marketable securities	-	17
Operations		
Sport and fitness	24,832	24,147
Community services	3,844	3,825
Open space management	526	484
Sales and marketing	8	5
Community building and sustainability	-	158
	<u>62,563</u>	<u>61,185</u>
Total revenue		
Expenses		
Service bureaus		
Operations		
Sport and fitness	24,286	23,360
Community services	9,281	8,844
Open space management	9,464	8,896
Sales and marketing	199	799
Community building and sustainability	1,404	1,277
Administrative	8,981	8,838
Interest	2,039	2,629
	<u>55,654</u>	<u>54,643</u>
Total expenses		
Increase in unrestricted net assets	6,909	6,542
Unrestricted net assets, beginning of year	<u>58,805</u>	<u>52,263</u>
Unrestricted net assets, end of year	<u>\$ 65,714</u>	<u>\$ 58,805</u>

See notes to financial statements

Columbia Association, Inc.

STATEMENTS OF CAH FLOWS

Years ended April 30, 2012 and 2011
(in thousands)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Increase in unrestricted net assets	\$ 6,909	\$ 6,542
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities		
Depreciation expense and amortization	7,510	7,670
Amortization of deferred bond issuance costs	17	24
Loss on disposal of fixed assets	129	77
Loss on impairment of fixed assets	77	920
Unrealized gain on marketable securities	-	(17)
Changes in operating assets and liabilities		
Accounts receivable	(1,042)	(303)
Prepaid expenses and other assets	(148)	(308)
Accrued interest	(258)	(268)
Accounts payable and accrued expenses	(725)	3,130
Deferred revenue	834	222
Net cash provided by operating activities	<u>13,303</u>	<u>17,689</u>
Cash flows from investing activities		
Net purchases of investments held by trustees	131	37
Purchase of property, facilities and equipment	(8,586)	(13,260)
Proceeds from the sale of equipment	74	29
Net cash used in investing activities	<u>(8,381)</u>	<u>(13,194)</u>
Cash flows from financing activities		
Line of credit	2,083	2,427
Long-term debt principal payments		
Senior secured bonds	(5,410)	(5,518)
Capital lease obligations	(95)	(95)
Term loan	(1,503)	(1,411)
Net cash used in financing activities	<u>(4,925)</u>	<u>(4,597)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3)	(102)
Cash and cash equivalents, beginning	<u>77</u>	<u>179</u>
Cash and cash equivalents, end	<u>\$ 74</u>	<u>\$ 77</u>
Supplemental disclosure of noncash investing activity		
Accounts payable - purchase of property, facilities and equipment	<u>\$ 1,226</u>	<u>\$ -</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 2,280</u>	<u>\$ 2,872</u>

See notes to financial statements

Columbia Association, Inc.

NOTES TO FINANCIAL STATEMENTS

April 30, 2012 and 2011
(In thousands)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

Organization

Columbia Association, Inc. (the Association) is a nonprofit membership corporation, quasi-governmental in function, 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.

During the development of Columbia, the Association incurred substantial operating losses and capital outlays for property, facilities and equipment. This early activity was financed by the issuance of long-term debt. The Association's revenues from assessments and services have funded the debt service requirement since fiscal year 1985.

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 debt service, risk management or workers' compensation funds.

Accounts Receivable

Accounts receivable consist principally of membership fee receivables, which are uncollateralized and generally have a term of one to three quarters. Accounts receivable also include property assessments, which are collateralized by the resident's property.

Columbia Association, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

April 30, 2012 and 2011
(In thousands)

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 member accounts and the amount of abatements residents will receive on their property assessment. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the reserves for abatements and allowance for doubtful accounts.

Debt Service Fund

Under the terms of the senior secured bond agreements, the Association deposits annual charge revenues with a trustee under a sinking fund arrangement. Investments in this fund are used to pay principal and interest payments on the bonds and are invested in U.S. Governmental Securities money market funds, which are stated at fair value.

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.

Property, Facilities and Equipment, Net

Land includes approximately 3,400 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. Facilities, equipment and land improvements that have a limited life are stated at cost and are depreciated using the straight-line method. Construction period interest is capitalized (\$0 for the years ended April 30, 2012 and 2011) as part of the cost of the asset.

<u>Assets</u>	<u>Estimated Useful Lives</u>
Building and recreational facilities	10 to 40 years
Land improvements	20 to 25 years
Furniture, equipment and other	5 to 10 years

Columbia Association, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

April 30, 2012 and 2011
(In thousands)

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. Normal, recurring or periodic repair and maintenance costs are expensed as incurred.

Financial Accounting Standards Board (FASB) Interpretation No 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (FASB ASC 360-10), 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. Impairment losses of \$77 and \$920 have been recognized during the years ended April 30, 2012 and 2011, respectively.

Intangible Assets

Goodwill relates to the purchase of land. The annual assessment revenue levied from this transaction exceeds the carrying amount of the goodwill and therefore no adjustment to carrying value is deemed necessary.

Deferred Bond Issuance/Financing Costs

Expenses related to the issuance of the senior secured bonds and the term loan are being amortized using the effective interest method over the term of the bonds and loan. Accumulated amortization as of April 30, 2012 and 2011 was \$1,028 and \$1,120, respectively. Estimated amortization for each of the ensuing years through April 30, 2016 is as follows:

2013	\$	11
2014		6
2015		1
2016		1

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

Columbia Association, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

April 30, 2012 and 2011
(In thousands)

program under a trust fund arrangement, which currently provides for funding as actuarially determined by independent actuaries.

Workers' Compensation Fund

The Association has a self-insurance program for workers' compensation. Under this program, the Association has a workers' compensation fund for its estimate of the ultimate cost of both asserted and unasserted claims from reported workers' compensation incidents. 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 will be periodically reviewed by the State of Maryland Workers' Compensation Commission and by independent actuaries.

Revenue Recognition

Property assessments consist of annual charges for which future services are not required and are recognized as revenue when the annual charges are levied and due. Membership and other fees are recognized as revenue on a pro rata basis during the membership period with unearned fees recorded as deferred revenue.

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 production costs of advertising are expensed as incurred. Advertising and promotion costs totaled \$395 and \$304 for the years ended April 30, 2012 and 2011, respectively.

Columbia Association, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

April 30, 2012 and 2011
(In thousands)

Income Taxes

Although exempt from federal and state income taxes as provided for under Section 501(c)(4) of the Internal Revenue Code, the Association is subject to federal and state taxes on unrelated business income, if any.

The Association adopted the guidance provided *Accounting for Uncertainty in Income Taxes* (FASB ASC 740-10), on April 1, 2009. Management has determined that the Association has no material uncertain tax positions that would require recognition under the guidance. The federal and state income tax returns of the Association for the tax periods ending April 30, 2009, 2010 and 2011 are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed. During the years ended April 30, 2012 and 2011 there was no unrelated business income.

Reclassifications

Certain amounts in the 2011 financial statements have been reclassified to be in conformity with the presentation in the 2012 financial statements.

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable are comprised of the following as of April 30, 2012 and 2011:

	2012	2011
Membership fees	\$ 13,770	\$ 13,057
Annual charges	1,191	1,063
Other	1,235	752
Total accounts receivable	16,196	14,872
Less reserves for abatements and allowance for doubtful accounts	904	622
	\$ 15,292	\$ 14,250

Columbia Association, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

April 30, 2012 and 2011
(In thousands)

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, 2012 and 2011:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 45	\$ 45	\$ 5,585	\$ 5,585
Debt securities	6,632	6,669	1,260	1,328
Accrued interest	58	58	10	10
	<u>\$ 6,735</u>	<u>\$ 6,772</u>	<u>\$ 6,855</u>	<u>\$ 6,923</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, 2012 and 2011:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 396	\$ 396	\$ 420	\$ 420
Debt securities	1,560	1,559	1,249	1,250
	<u>\$ 1,956</u>	<u>\$ 1,955</u>	<u>\$ 1,669</u>	<u>\$ 1,670</u>

Debt Service Fund

Investments of \$692 in 2012 and \$957 in 2011 in the Debt Service Fund are held by a Trustee and consist of a U.S. Governmental Securities Money Market Fund in which the fair value approximates cost.

Columbia Association, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

April 30, 2012 and 2011
(In thousands)

NOTE 4 - FAIR VALUE MEASUREMENTS

In determining fair value, the Association uses various valuation approaches within the FASB ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

FASB ASC 820 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. FASB ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

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

Trading and Available-for-Sale 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. Debt securities are generally classified within Level 2 of the valuation hierarchy.

Columbia Association, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

April 30, 2012 and 2011
(In thousands)

Interest Rate Swap Agreements

The fair value of interest rate swaps are estimated by a third party using a model that builds a yield curve from market data for activity traded securities at various times and maturities and takes into account current interest rates and the current credit worthiness of the respective counterparties. Such securities are classified within Level 2 of the valuation hierarchy.

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of April 30, 2012:

	<u>Fair Value Measurements Using</u>		
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Total</u>
Government debt securities	\$ -	\$ 8,286	\$ 8,286
Interest rate swap agreement	\$ -	\$ 1,607	\$ 1,607

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of April 30, 2011:

	<u>Fair Value Measurements Using</u>		
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Total</u>
Government debt securities	\$ -	\$ 2,588	\$ 2,588
Interest rate swap agreement	\$ -	\$ 3,110	\$ 3,110

Columbia Association, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

April 30, 2012 and 2011
(In thousands)

NOTE 5 - PROPERTY, FACILITIES AND EQUIPMENT, NET

Property, facilities and equipment consist of the following as of April 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Land	\$ 6,533	\$ 6,533
Parks, lakes and related improvements	10,400	10,400
Land improvements	49,859	45,667
Buildings and recreation facilities	85,101	84,277
Furniture, equipment and other	27,670	26,872
Construction-in-progress	<u>17,217</u>	<u>15,292</u>
Total property, facilities and equipment	196,780	189,041
Less accumulated depreciation	<u>95,808</u>	<u>88,865</u>
Property, facilities and equipment, net	<u>\$ 100,972</u>	<u>\$ 100,176</u>

NOTE 6 - CONSTRUCTION CONTRACT

The Association entered into a construction contract with JND Thomas Co., Inc, an unrelated party, related to lake dredging in the amount of \$1,787. As of April 30, 2012, \$484 of the contract has been incurred, of which \$1,303 remains payable.

NOTE 7 - PROPERTY ASSESSMENTS

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 2012 and 2011) 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% cap; however, the Board of Directors capped the increase at 2.5% for fiscal year 2012 and 2011.

Columbia Association, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

April 30, 2012 and 2011
(In thousands)

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

2012	\$9,766,204
2011	\$9,567,000

NOTE 8 - LINE OF CREDIT

The Association has available an unsecured line of credit with a bank, which, under a loan agreement, is limited to borrowings of \$30,000. The outstanding note bears interest at the lower of the bank's prime rate or LIBOR plus 110 basis points (.24% as of April 30, 2012 and 2011, respectively) and is due on demand. Additionally, the note bears an unused commitment fee of 25 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 \$16,838 and \$14,755 outstanding under the line of credit as of April 30, 2012 and 2011, respectively.

The Association had \$230 in letters of credit issued through a bank as of April 30, 2012 and 2011.

NOTE 9 - TERM DEBT

Senior Secured Bonds

Senior secured bonds bear interest at annual rates ranging from 6.81% to 14.375%. The weighted average rate as of April 30, 2012 and 2011 was 8.63% and 8.88%, respectively. Such bonds are secured by annual charge revenue and mature at various dates between fiscal years 2013 and 2015. The balance at April 30, 2012 and 2011 was \$16,005 and \$21,415, respectively.

Under the terms of the bond agreements, annual charge revenues are deposited with a trustee under a sinking fund arrangement as security for principal and interest payments.

Term Loan

The Association has a variable rate loan with Wachovia Bank N.A. in the amount of \$1,607 and \$3,110 at April 30, 2012 and 2011, respectively, which matures in fiscal year 2013. The loan is secured by a first assignment of the income stream from membership revenue.

Columbia Association, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

April 30, 2012 and 2011
(In thousands)

The Association makes annual principal payments and semi-annual interest payments for the term of the loan. The interest rate is 1-month LIBOR, plus .45% per annum (.24% as of April 30, 2012 and 2011, respectively).

The Association simultaneously entered into an interest rate swap agreement for the purpose of converting the Association's floating rate debt with Wachovia Bank N.A. to a fixed rate. This agreement involves the exchange of floating rate interest payments for fixed rate interest payments until the swap agreement matures in fiscal 2013. The agreement changed the Association's interest rate exposure on its floating rate notes to a fixed 6.58%. The Association had an outstanding notational amount of \$1,607 and \$3,110 on this swap agreement as of April 30, 2012 and 2011, respectively.

Aggregate maturities of the Association's senior secured bonds and term loan as of April 30, 2012 are as follows:

2013	\$	6,239
2014		4,566
2015		4,777
2016		<u>2,030</u>
Total	\$	<u><u>17,612</u></u>

Capital Lease Obligation

The cost and accumulated amortization of equipment under capital leases were both \$558 as of April 30, 2012, and were \$558 and \$502, respectively, as of April 30, 2011. The Association did not enter into any new capital lease obligations during the years ended April 30, 2012 and 2011.

As of April 30, 2012, the future minimum annual payments under capital leases are as follows:

2013	\$	<u><u>54</u></u>
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Columbia Association, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

April 30, 2012 and 2011
(In thousands)

NOTE 10 - RETIREMENT BENEFIT PLAN

Substantially all full-time and eligible part-time employees are covered by a defined contribution retirement benefit plan. Contributions are based on 6% of eligible employees' salaries. Previously, employees became fully vested in the plan after seven years of service. Effective April 1, 2007, employees become fully vested after six years of service. Expenses under this plan were \$913 and \$932 for the years ended April 30, 2012 and 2011, respectively.

NOTE 11 - COMMITMENTS

The Association leases certain facilities and equipment under operating leases. Rental expense, exclusive of these costs, was \$752 and \$802 for the years ended April 30, 2012 and 2011, respectively.

As of April 30, 2012, the Association's total commitment for minimum annual rentals, exclusive of maintenance and other occupancy costs, under noncancellable operating leases is:

2013	\$	579
2014		558
2015		575
2016		<u>194</u>
Total	\$	<u><u>1,906</u></u>

The lease for the headquarters building includes a rent abatement for the period September 1, 2011 to February 28, 2012 valued at \$249. Accrued abatements of \$184 and \$240 were included in the accrued expenses as of April 30, 2012 and 2011, respectively. The abatement is amortized over the life of the lease and is reflected as a reduction of rent expense as reported in the Statements of Activities.

Columbia Association, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

April 30, 2012 and 2011
(In thousands)

NOTE 12 - POSTRETIREMENT HEALTH CARE

The Association sponsors a defined postretirement medical benefit plan that covers both salaried and nonsalaried full-time employees and their spouses or surviving spouses. The postretirement health care plan is contributory. The Association will provide a maximum contribution of \$2,500 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 \$1,500 when the retiree reaches age 65. This benefit terminates on the 10th anniversary of the benefit commencement date. The employee contributes the remainder of the health care cost.

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

	<u>2012</u>	<u>2011</u>
Reconciliation of benefit obligations		
Obligation at beginning of year	\$ 470	\$ 442
Service cost	25	21
Interest cost	27	23
Actuarial gain	-	(14)
Benefit payments	(3)	(2)
	<u>519</u>	<u>470</u>
Obligation at end of year	<u>\$ 519</u>	<u>\$ 470</u>

Columbia Association, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

April 30, 2012 and 2011
(In thousands)

	<u>2012</u>	<u>2011</u>
Amount not recognized in net period postretirement benefit cost:		
Unrecognized prior service credit	\$ (22)	\$ (23)
Unrecognized gain	<u>39</u>	<u>39</u>
Total amount recognized in net periodic postretirement benefit costs	<u>\$ 17</u>	<u>\$ 16</u>
Net periodic postretirement benefit costs include:		
Service cost	\$ 25	\$ 21
Interest cost	27	23
Amortization of unrecognized prior service cost	<u>1</u>	<u>1</u>
Net periodic postretirement benefit cost	<u>\$ 53</u>	<u>\$ 45</u>

The discount rate was 5.6% and 6.0% as of April 30, 2012 and 2011, respectively. The gross trend rate for health care coverage is 10.0% grading to 4.6% over five years.

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

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total service and interest cost components of net periodic postretirement health care benefit cost	\$ 7	\$ (6)
Effect on the health care component of the accumulated postretirement benefit obligation	69	(59)

Columbia Association, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

April 30, 2012 and 2011
(In thousands)

NOTE 13 - SIGNIFICANT ESTIMATES

Reserve for General Liability Self-insurance

Under its general liability self-insurance plan, the Association accrues the estimated expense of general liability claims based on claims filed subsequent to year-end and an additional amount for incurred, but not yet reported claims based on prior experience. Accruals for such costs of \$1,183 and \$1,147 are included in accrued expenses at April 30, 2012 and 2011, respectively. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

Reserve for Workers' Compensation Self-insurance

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

Accruals for such costs of \$1,781 and \$1,519 are included in accrued expenses at April 30, 2012 and 2011, respectively. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

NOTE 14 - 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. The Association is a defendant in litigation with a contractor. The contractor asserts breach of contract and is claiming approximately \$1 million in damages. The Association intends to vigorously defend against this claim and has filed a counterclaim as well as a third-party complaint against the engineering firm retained by the Association. The Association is a defendant in a lawsuit involving an alleged assault on a 14-year-old member of the Association's Clippers swim team by several other 14-year-old Clippers team members while the team was at an away swim meet. Plaintiffs have alleged negligent supervision and negligent hiring and training of Clippers coaches. The wording of the complaint is unclear as to the demand for damages, which may range from \$400 thousand to \$1.2 million. The Association intends to vigorously defend the case. The

Columbia Association, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

April 30, 2012 and 2011
(In thousands)

Association also has been named as defendant in a personal injury lawsuit seeking damages of \$2 million for injuries allegedly sustained by plaintiff while using an exercise machine at an Association fitness club. The Association has not yet been served with the complaint, but anticipates that this will occur soon. The Association intends to vigorously defend the case. No amounts have been accrued in the financial statements related to these matters.

NOTE 15 - SUBSEQUENT EVENTS

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Association through July 25, 2012 (the date the financial statements are available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

SUPPLEMENTAL INFORMATION

Columbia Association, Inc.

SUPPLEMENTAL INFORMATION

SCHEDULE OF TERM DEBT

April 30, 2012 and 2011
(In thousands)

	<u>2012</u>	<u>2011</u>	<u>Initial Fiscal Year of Principal Payment</u>	<u>Current Principal and Interest Requirements</u>	<u>Final Fiscal Year of Payment</u>
Senior secured bonds:					
Series L - 18.65	\$ -	\$ 315	1987	\$ -	-
Series M - 14.375	402	753	1988	460	2013
Series N - 13.25	519	692	1987	242	2015
Series P - 11.50	654	829	1991	269	2015
Series Q - 9.65	2,683	3,425	1991	1,072	2015
Series R - 9.65	4,067	5,191	1992	1,625	2015
Series U - 8.45	300	1,269	1995	175	2013
Series V - 6.81	7,380	8,941	2001	2,170	2016
	<u>16,005</u>	<u>21,415</u>			
Total bonds	16,005	21,415			
Term loan	1,607	3,110			
Capital lease obligations	54	149			
	<u>17,666</u>	<u>24,674</u>			
TOTAL	<u>\$ 17,666</u>	<u>\$ 24,674</u>			

Columbia Association, Inc.

SUPPLEMENTAL INFORMATION - CONTINUED

RISK MANAGEMENT SELF-INSURANCE TRUST

STATEMENTS OF FINANCIAL POSITION

April 30, 2012 and 2011
(In thousands)

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash equivalents	\$ 45	\$ 5,585
Investments, primarily U.S. government securities	6,669	1,328
Accrued interest receivable	<u>58</u>	<u>10</u>
Total Assets	<u>\$ 6,772</u>	<u>\$ 6,923</u>
LIABILITIES AND FUND BALANCE		
Estimated claims payable	\$ 1,183	\$ 1,146
Net assets	<u>5,589</u>	<u>5,777</u>
Total liabilities and fund balance	<u>\$ 6,772</u>	<u>\$ 6,923</u>

Columbia Association, Inc.

SUPPLEMENTAL INFORMATION - CONTINUED

RISK MANAGEMENT SELF-INSURANCE TRUST

STATEMENTS OF ACTIVITIES

Years ended April 30, 2012 and 2011
(In thousands)

	<u>2012</u>	<u>2011</u>
REVENUES		
Interest	\$ 117	\$ 70
Unrealized (loss) gain on marketable securities	<u>(32)</u>	<u>17</u>
Total revenues	<u>85</u>	<u>87</u>
EXPENSES		
Claims	252	1
Administrative	<u>21</u>	<u>35</u>
Total expenses	<u>273</u>	<u>36</u>
(Decrease) increase in unrestricted net assets	(188)	51
Unrestricted net assets, beginning of year	<u>5,777</u>	<u>5,726</u>
Unrestricted net assets, end of year	<u>\$ 5,589</u>	<u>\$ 5,777</u>