

COLUMBIA ASSOCIATION, INC.
Columbia, Maryland

FINANCIAL STATEMENTS
April 30, 2010 and 2009

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Independent Auditor's Report

Board of Directors
Columbia Association, Inc.
Columbia, Maryland

We have audited the accompanying statements of financial position of Columbia Association, Inc. (the Association) as of April 30, 2010 and 2009, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits 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 of 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 audits provide 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 the Association as of April 30, 2010 and 2009, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Baltimore, Maryland
July 28, 2010

FINANCIAL STATEMENTS

COLUMBIA ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
April 30, 2010 and 2009

	2010	2009
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 179,000	\$ 75,000
Accounts receivable, net of reserves for abatements and allowance for doubtful accounts of \$634,000 in 2010 and \$653,000 in 2009	13,947,000	14,481,000
Prepaid expenses and other assets	1,000,000	1,048,000
Debt service fund	1,229,000	1,479,000
Risk management fund	6,878,000	6,896,000
Workers' compensation fund	1,463,000	1,272,000
Property, facilities and equipment, net	96,616,000	97,232,000
Intangible assets, net	319,000	319,000
Deferred bond issuance/financing costs, net	60,000	90,000
TOTAL ASSETS	\$ 121,691,000	\$ 122,892,000
LIABILITIES AND NET ASSETS		
LIABILITIES		
Line of credit	\$ 12,328,000	\$ 12,596,000
Accrued interest	1,146,000	1,390,000
Accounts payable and accrued expenses	8,413,000	7,941,000
Deferred revenue	14,839,000	15,434,000
	36,726,000	37,361,000
Term debt:		
Senior secured bonds	26,933,000	31,979,000
Capital lease obligations	244,000	337,000
Term loan	4,521,000	5,845,000
Total term debt	31,698,000	38,161,000
Total liabilities	68,424,000	75,522,000
NET ASSETS		
Unrestricted	53,267,000	47,370,000
TOTAL LIABILITIES AND NET ASSETS	\$ 121,691,000	\$ 122,892,000

The accompanying notes are an integral part of the financial statements.

COLUMBIA ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
Years Ended April 30, 2010 and 2009

	2010	2009
REVENUES AND GAINS		
Property assessments	\$ 32,077,000	\$ 31,109,000
Operating revenues:		
Sport and fitness	23,718,000	24,146,000
Communications and marketing	4,000	4,000
Community services	3,682,000	3,660,000
Open space management	130,000	460,000
Interest income	161,000	438,000
Unrealized loss on marketable securities	(65,000)	(31,000)
 Total revenues and gains	 59,707,000	 59,786,000
 EXPENSES		
Operating expenses:		
Sport and fitness	23,855,000	23,876,000
Communications and marketing	787,000	723,000
Community services	8,465,000	8,819,000
Open space management	10,160,000	9,507,000
Administrative	7,315,000	6,995,000
Interest	3,228,000	3,923,000
 Total expenses	 53,810,000	 53,843,000
 INCREASE IN UNRESTRICTED NET ASSETS	 5,897,000	 5,943,000
 UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	 47,370,000	 41,427,000
 UNRESTRICTED NET ASSETS, END OF YEAR	 \$ 53,267,000	 \$ 47,370,000

The accompanying notes are an integral part of the financial statements.

COLUMBIA ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended April 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in unrestricted net assets	\$ 5,897,000	\$ 5,943,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense and amortization	7,612,000	7,347,000
Amortization of deferred bond issuance costs	30,000	38,000
Loss on disposal of fixed assets	82,000	148,000
Unrealized loss on marketable securities	65,000	31,000
Effects of changes in operating assets and liabilities:		
Accounts receivable	534,000	(441,000)
Prepaid expenses and other assets	48,000	(64,000)
Accrued interest	(244,000)	(260,000)
Accounts payable and accrued expenses	472,000	478,000
Deferred revenue	(595,000)	(367,000)
Net cash provided by operating activities	<u>13,901,000</u>	<u>12,853,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of investments held by trustees	12,000	244,000
Purchase of property, facilities and equipment	(7,080,000)	(7,146,000)
Proceeds from the sale of equipment	2,000	33,000
Net cash used in investing activities	<u>(7,066,000)</u>	<u>(6,869,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit	(268,000)	1,130,000
Long-term debt principal payments:		
Senior secured bonds	(5,046,000)	(5,865,000)
Capital lease obligations	(93,000)	(92,000)
Term loan	(1,324,000)	(1,243,000)
Net cash used in financing activities	<u>(6,731,000)</u>	<u>(6,070,000)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	104,000	(86,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>75,000</u>	<u>161,000</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 179,000</u>	<u>\$ 75,000</u>

The accompanying notes are an integral part of the financial statements.

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2010 and 2009

NOTE 1 – 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 years. Accounts receivable also include property assessments, which are collateralized by the resident's 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 collectibility 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.

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.

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2010 and 2009) as part of the cost of the asset.

Assets	Life
Building and recreational facilities	10 to 40 years
Land improvements	20 to 25 years
Furniture, equipment and other	5 to 10 years

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.

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, 2010 and 2009 was \$1,170,000 and \$1,285,000, respectively.

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
April 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 US Governmental Securities money market funds, which are stated at fair value.

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.

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 \$376,000 and \$400,000 for the years ended April 30, 2010 and 2009, respectively.

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. There was no unrelated business income for the years ended April 30, 2010 and 2009.

Impact of Recently Issued Accounting Pronouncements

In June 2006, the FASB issued Interpretation No 48, *Accounting for Uncertainty in Income Taxes* (FASB ASC 740-10), to create a single model to address accounting for uncertainty in tax positions. This interpretation clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. This interpretation also provides guidance on derecognition, measurement, classification, interest and penalties, disclosure and transition. This interpretation was effective for fiscal years beginning after December 15, 2006, but the effective date was

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Pronouncements (Continued)

deferred to fiscal years beginning after December 15, 2008 for certain nonpublic enterprises by FASB Staff Position, for the "effective date of FASB Interpretation for accounting for uncertainty in income taxes for Certain Nonpublic Enterprises." There is no impact on the financial position and results of operations as a result of the Association's adoption of this interpretation in the current year.

In May 2009 the FASB issued ASC 855, *Subsequent Events*, which established general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855, *Subsequent Events* is effective for the financial periods ending after June 15, 2009. The adoption of ASC 855, *Subsequent Events* did not have a material impact on the Association's financial statements.

In January 2009, the FASB issued the *Accounting Standards Codification (ASC)*. The ASC replaced the *Hierarchy of Generally Accepted Accounting Principles*, and establishes the Codification as the single source of authoritative U.S. GAAP for interim and annual periods ending after September 15, 2009. The Codification supersedes all existing non-SEC standards. There was no impact on the financial statements as a result of the adoption of the ASC.

NOTE 2 – ACCOUNTS RECEIVABLE

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

	<u>2010</u>	<u>2009</u>
Membership fees	\$12,852,000	\$13,321,000
Annual charges	943,000	850,000
Other	<u>786,000</u>	<u>963,000</u>
Total accounts receivable	14,581,000	15,134,000
Less reserves for abatements and allowance for doubtful accounts	<u>634,000</u>	<u>653,000</u>
Accounts receivable, net	<u>\$13,947,000</u>	<u>\$14,481,000</u>

NOTE 3 – INVESTMENTS AND OTHER ASSETS

Risk Management Fund

Investments are included in the Risk Management Fund held by a Trustee and are combined in a portfolio which consists of the following as of April 30:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 4,667,000	\$ 4,667,000	\$ 4,220,000	\$ 4,220,000
Debt securities	<u>2,159,000</u>	<u>2,211,000</u>	<u>2,559,000</u>	<u>2,676,000</u>
Total	<u>\$ 6,826,000</u>	<u>\$ 6,878,000</u>	<u>\$ 6,779,000</u>	<u>\$ 6,896,000</u>

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2010 and 2009

NOTE 3 – INVESTMENTS AND OTHER ASSETS (CONTINUED)

Workers' Compensation Fund

Investments are included in the Workers' Compensation Fund held by a Trustee in a portfolio which consists of the following as of April 30:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 214,000	\$ 214,000	\$ 522,000	\$ 522,000
Debt securities	<u>1,249,000</u>	<u>1,249,000</u>	<u>750,000</u>	<u>750,000</u>
Total	<u>\$ 1,463,000</u>	<u>\$ 1,463,000</u>	<u>\$ 1,272,000</u>	<u>\$ 1,272,000</u>

Debt Service Fund

Investments of \$1,229,000 in 2010 and \$1,479,000 in 2009 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.

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
April 30, 2010 and 2009

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2010:

	Fair Value Measurements Using		Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Government debt securities	\$ -	\$ 3,460,000	\$ 3,460,000
Interest rate swap agreement	\$ -	\$ 4,521,000	\$ 4,521,000

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of April 30, 2009:

	Fair Value Measurements Using		Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Government debt securities	\$ -	\$ 3,426,000	\$ 3,426,000
Interest rate swap agreement	\$ -	\$ 5,845,000	\$ 5,845,000

NOTE 5 – PROPERTY, FACILITIES AND EQUIPMENT, NET

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

	2010	2009
Land	\$ 6,533,000	\$ 6,533,000
Parks, lakes, and related improvements	10,400,000	10,400,000
Land improvements	43,930,000	41,370,000
Buildings and recreational facilities	87,585,000	85,430,000
Furniture, equipment and other	26,561,000	24,278,000
Construction-in-progress	<u>8,163,000</u>	<u>10,304,000</u>
Total property, facilities and equipment	183,172,000	178,315,000
Less accumulated depreciation	<u>86,556,000</u>	<u>81,083,000</u>
Property, facilities and equipment, net	<u>\$96,616,000</u>	<u>\$97,232,000</u>

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2010 and 2009

NOTE 6 – 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 fiscal years 2010 and 2009) 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 2010 and 2009. The net assessed value for assessment years beginning July 1 was as follows:

2010	\$ 9,430,000,000
2009	9,134,000,000

NOTE 7 – LINES OF CREDIT

The Association has available an unsecured line of credit with a bank, which, under a loan agreement, is limited to borrowings of \$25,000,000. The outstanding note bears interest at the lower of the bank's prime rate or LIBOR plus 110 basis points and is due on demand. The 1-month LIBOR rate as of April 30, 2010 and 2009 was .25% and .50%, respectively. 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 \$12,328,000 and \$12,596,000 outstanding under the line of credit as of April 30, 2010 and 2009, respectively.

The Association had \$230,000 and \$252,000 in letters of credit issued through a bank as of April 30, 2010 and 2009, respectively.

NOTE 8 – TERM DEBT

Senior Secured Bonds and Fixed Rate Loan

Senior secured bonds bear interest at annual rates ranging from 6.81% to 18.65%. The weighted average rate as of April 30, 2010 and 2009 was 8.73% and 9.22%, respectively. Such bonds are secured by annual charge revenues and mature at various dates between fiscal years 2011 and 2015. The balance at April 30, 2010 and 2009 was \$26,933,000 and \$31,979,000, 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.

The Association has a variable rate loan with Wachovia Bank N.A. in the amount of \$4,521,000, which matures in fiscal year 2013. The loan is secured by a first assignment of the income stream from membership revenue.

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. The 1-month LIBOR rate as of April 30, 2010 and 2009 was .25% and .50%, respectively.

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2010 and 2009

NOTE 8 – TERM DEBT (CONTINUED)

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 \$4,521,000 and \$5,845,000 on this swap agreement as of April 30, 2010 and 2009, respectively.

Aggregate maturities of the Association's senior secured bonds and term loan as of April 30, 2010 are as follows:

2011	\$ 6,929,000
2012	6,913,000
2013	6,239,000
2014	4,566,000
2015	4,777,000
2016	<u>2,030,000</u>
Total	<u>\$31,454,000</u>

Capital Lease Obligation

The cost and accumulated amortization of equipment under capital leases were \$558,000 and \$390,000, respectively, as of April 30, 2010, and were \$558,000 and \$279,000, respectively, as of April 30, 2009. The Association did not enter into any new capital lease obligations during the years ended April 30, 2010 and 2009.

As of April 30, 2010, the future minimum annual payments under capital leases are as follows:

2011	\$ 98,000
2012	96,000
2013	54,000
Less: amount representing interest	<u>(4,000)</u>
Total	<u>\$ 244,000</u>

Cash paid for interest by the Association on all debt was \$3,442,000 and \$4,147,000 for the years ended April 30, 2010 and 2009, respectively.

NOTE 9 – 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 January 1, 2007, employees become fully vested after six years of service. Expenses under this plan were \$809,000 and \$867,000 for the years ended April 30, 2010 and 2009, respectively.

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2010 and 2009

NOTE 10 – COMMITMENTS

The Association leases certain facilities and equipment under operating leases. Under the terms of the leases of the facilities, the Association is required to pay insurance, taxes, maintenance and other occupancy costs. Rental expense, exclusive of these costs, was \$871,000 and \$882,000 for the years ended April 30, 2010 and 2009, respectively.

As of April 30, 2010, the Association's total commitment for minimum annual rentals, exclusive of maintenance and other occupancy costs, under non-cancellable operating leases is:

2011	\$ 382,000
2012	619,000
2013	579,000
2014	558,000
2015	575,000
2016	<u>194,000</u>
Total	<u>\$ 2,907,000</u>

NOTE 11 – POSTRETIREMENT HEALTH CARE

The Association sponsors a defined postretirement medical benefit plan that covers both salaried and non-salaried 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>2010</u>	<u>2009</u>
Reconciliation of benefit obligation:		
Obligation at beginning of year	\$ 402,000	\$ 367,000
Service cost	19,000	16,000
Interest cost	24,000	22,000
Benefit payments	<u>(3,000)</u>	<u>(3,000)</u>
Obligation at end of year	<u>\$ 442,000</u>	<u>\$ 402,000</u>
Funded status:		
Funded status at end of year	\$ 442,000	\$ 402,000
Unrecognized prior service cost	17,000	18,000
Unrecognized loss	<u>(17,000)</u>	<u>(18,000)</u>
Net amount recognized which is included in accounts payable and accrued expenses	<u>\$ 442,000</u>	<u>\$ 402,000</u>

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2010 and 2009

NOTE 11 – POSTRETIREMENT HEALTH CARE (CONTINUED)

Net periodic postretirement benefit costs include:

Service cost	\$ 19,000	\$ 16,000
Interest cost	<u>24,000</u>	<u>22,000</u>

Net periodic postretirement benefit cost	<u>\$ 43,000</u>	<u>\$ 38,000</u>
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The discount rate was 6% as of April 30, 2010 and 2009. The gross trend rate for health care coverage is 12% grading to 5% over 5 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	\$ 6,000	\$ (5,000)
Effect on the health care component of the accumulated postretirement benefit obligation	57,000	(50,000)

NOTE 12 – 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 \$1,152,000 and \$1,166,000 are included in accrued expenses at April 30, 2010 and 2009, 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 \$1,276,000 and \$1,124,000 are included in accrued expenses at April 30, 2010 and 2009, respectively. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

NOTE 13 – INCOME TAXES

The Association adopted the provisions of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes* (FASB ASC 740-10), on January 1, 2009. Management has determined that the Association has no material uncertain tax positions that would require recognition under FIN 48. The federal and state income tax returns of the Association for 2008, 2007 and 2006 are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

COLUMBIA ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2010 and 2009

NOTE 14 – RECLASSIFICATIONS

Certain amounts in the 2009 financial statements have been reclassified to be in conformity with the presentation in the 2010 financial statements.

NOTE 15 – SUBSEQUENT EVENTS

Management evaluated subsequent events through July 28, 2010, the date the financial statements were available to be issued. Events or transactions occurring after April 30, 2010, but prior to July 28, 2010 that provided additional evidence about conditions that existed at April 30, 2010, have been recognized in the consolidated financial statements for the year ended April 30, 2010. Events or transactions that provided evidence about conditions that did not exist at April 30, 2010 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended April 30, 2010.

SUPPLEMENTAL INFORMATION

COLUMBIA ASSOCIATION, INC.
SCHEDULES OF SUMMARY OF OPERATING DIVISIONS
Years Ended April 30, 2010 and 2009

	Total Operating Divisions		Sports and Fitness		Communications and Marketing		Community Services		Open Space Management	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
OPERATING REVENUES										
Memberships	\$ 16,347,000	\$ 16,888,000	\$ 16,347,000	\$ 16,888,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fees	5,169,000	5,126,000	5,153,000	5,056,000	-	1,000	2,000	20,000	14,000	49,000
Rentals	1,618,000	1,763,000	1,416,000	1,499,000	1,000	1,000	91,000	74,000	110,000	189,000
Tuition and enrollment	3,463,000	3,394,000	-	-	-	-	3,463,000	3,394,000	-	-
Other	937,000	1,099,000	802,000	703,000	3,000	2,000	126,000	172,000	6,000	222,000
Total operating revenues	<u>27,534,000</u>	<u>28,270,000</u>	<u>23,718,000</u>	<u>24,146,000</u>	<u>4,000</u>	<u>4,000</u>	<u>3,682,000</u>	<u>3,660,000</u>	<u>130,000</u>	<u>460,000</u>
OPERATING EXPENSES										
Salaries, payroll taxes and benefits	19,944,000	19,017,000	11,037,000	10,671,000	1,390,000	1,339,000	3,137,000	3,133,000	4,380,000	3,874,000
Cost of goods sold	716,000	624,000	698,000	603,000	-	-	18,000	21,000	-	-
Taxes	645,000	630,000	583,000	569,000	2,000	2,000	41,000	41,000	19,000	18,000
Repairs and maintenance	4,008,000	3,785,000	2,120,000	2,038,000	19,000	22,000	434,000	489,000	1,435,000	1,236,000
Operating supplies	3,621,000	3,926,000	1,777,000	1,907,000	793,000	844,000	586,000	685,000	465,000	490,000
Insurance	412,000	1,036,000	176,000	673,000	-	-	48,000	86,000	188,000	277,000
Utilities	2,073,000	2,032,000	1,881,000	1,849,000	16,000	10,000	84,000	92,000	92,000	81,000
Rentals	685,000	714,000	131,000	129,000	105,000	107,000	176,000	202,000	273,000	276,000
Fees	1,848,000	2,047,000	367,000	268,000	290,000	295,000	616,000	732,000	575,000	752,000
Allocation of selling expenses	-	-	1,840,000	1,907,000	(1,840,000)	(1,907,000)	-	-	-	-
Grants to community services	2,358,000	2,298,000	-	-	-	-	2,358,000	2,298,000	-	-
Total operating expenses	<u>36,310,000</u>	<u>36,109,000</u>	<u>20,610,000</u>	<u>20,614,000</u>	<u>775,000</u>	<u>712,000</u>	<u>7,498,000</u>	<u>7,779,000</u>	<u>7,427,000</u>	<u>7,004,000</u>
Net from operations	(8,776,000)	(7,839,000)	3,108,000	3,532,000	(771,000)	(708,000)	(3,816,000)	(4,119,000)	(7,297,000)	(6,544,000)
Depreciation expense	6,957,000	6,816,000	3,245,000	3,262,000	12,000	11,000	967,000	1,040,000	2,733,000	2,503,000
NET INCREASE (DECREASE) IN NET ASSETS BEFORE ADMIN AND INTEREST EXPENSE										
	<u>\$ (15,733,000)</u>	<u>\$ (14,655,000)</u>	<u>\$ (137,000)</u>	<u>\$ 270,000</u>	<u>\$ (783,000)</u>	<u>\$ (719,000)</u>	<u>\$ (4,783,000)</u>	<u>\$ (5,159,000)</u>	<u>\$ (10,030,000)</u>	<u>\$ (9,047,000)</u>

COLUMBIA ASSOCIATION, INC.
SCHEDULES OF TERM DEBT
Years Ended April 30, 2010 and 2009

	<u>2010</u>	<u>2009</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 I - 14.25	\$ 309,000	\$ 579,000	1986	\$ 353,000	2011
Series J - 15.25	136,000	254,000	1986	157,000	2011
Series L - 18.65	580,000	804,000	1987	373,000	2012
Series M - 14.375	1,060,000	1,329,000	1988	459,000	2013
Series N - 13.25	865,000	1,038,000	1987	288,000	2015
Series P - 11.50	986,000	1,128,000	1991	270,000	2015
Series Q - 9.65	4,101,000	4,718,000	1991	1,072,000	2015
Series R - 9.65	6,217,000	7,152,000	1992	1,626,000	2015
Series U - 8.45	2,277,000	3,207,000	1995	1,200,000	2013
Series V - 6.81	<u>10,402,000</u>	<u>11,770,000</u>	2001	2,169,000	2015
Total bonds	26,933,000	31,979,000			
Term loan	4,521,000	5,845,000			
Capital lease obligations	<u>244,000</u>	<u>337,000</u>			
TOTAL	<u>\$ 31,698,000</u>	<u>\$ 38,161,000</u>			

COLUMBIA ASSOCIATION, INC.
SCHEDULES OF RISK MANAGEMENT SELF-INSURANCE TRUST
STATEMENTS OF FINANCIAL POSITION
April 30, 2010 and 2009

	2010	2009
ASSETS		
Cash equivalents	\$ 4,671,000	\$ 4,220,000
Investments, primarily U.S. government securities	<u>2,207,000</u>	<u>2,676,000</u>
TOTAL ASSETS	<u>\$ 6,878,000</u>	<u>\$ 6,896,000</u>
LIABILITIES AND FUND BALANCE		
Estimated claims payable	\$ 1,152,000	\$ 1,166,000
Net assets	<u>5,726,000</u>	<u>5,730,000</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,878,000</u>	<u>\$ 6,896,000</u>

Note: The Association is funding the self-insurance trust of the risk management program under a trust fund arrangement, which requires funding based on an actuarial analysis prepared by outside actuaries. Currently, funding is based on a maximum of \$1,000,000 per claim assumption and a 75% confidence level of expected losses. In addition, the Association obtained an excess liability policy for all claims in excess of \$1,000,000 to a maximum liability of \$10,000,000.

COLUMBIA ASSOCIATION, INC.
SCHEDULES OF RISK MANAGEMENT SELF-INSURANCE TRUST
STATEMENTS OF ACTIVITIES
Years Ended April 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
REVENUES		
Interest	\$ 104,000	\$ 234,000
EXPENSES		
Claims	11,000	667,000
Administrative	32,000	25,000
Unrealized loss on marketable securities	<u>65,000</u>	<u>30,000</u>
Total expenses	<u>108,000</u>	<u>722,000</u>
DECREASE IN UNRESTRICTED NET ASSETS	(4,000)	(488,000)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>5,730,000</u>	<u>6,218,000</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 5,726,000</u>	<u>\$ 5,730,000</u>