



COLUMBIA ASSOCIATION, INC. FOURTH QUARTER FY 2020 FINANCIAL REPORT

VARIANCE EXPLANATIONS are required for line-item variances in a budget center (not summary page) for each variance that exceeds \$25,000 and 25%. This requirement does not apply to totals or subtotals.

The fourth quarter report usually includes only two comparisons - actual results for the fiscal year compared to that year's budget and to the prior fiscal year. However, since FY 20 actual results deviated so significantly from the original FY 20 approved budget due to the COVID-19 pandemic, a comparison to the revised March 2020 estimate is also shown. This estimate was developed soon after CA learned of the state-mandated closure of its facilities that was to extend for an unspecified period of time.

ORGANIZATION-WIDE FINANCIAL HIGHLIGHTS

As of 6 March 2020, CA anticipated ending FY 20 on budget with an increase in net assets of approximately \$4.1 million. Since the production of the FY 20 third quarter report, the COVID-19 pandemic created a new reality for CA.

As Mr. Matthews noted in his letter, Columbia Association ("CA") completed FY 20 with an increase in net assets of just over \$1.7 million, approximately \$2.1 million, or 55.1%, below the budgeted increase in net assets. Total income of \$70 million was under budget for the period by \$6.5 million, or 8.5%, and \$2.4 million, or 3.4%, below FY 19. Total operating expenses of \$68.5 million were 6.0% below budget and essentially the same as last year.

Beginning with the second quarter of FY 20, the financial report was reconfigured to better communicate CA's financial results. We are now presenting "Net Sales" in the Income section, instead of showing gross sales in Income and cost of sales in Expenses. We pulled collection and treasury expenses out of the previous "catch-all" category of Operating Supplies/Expenses and created a new category, Collection and Treasury Expenses. We also pulled technology-related expenses from Operating Supplies/Expenses and software maintenance/subscriptions out of Repairs and Maintenance, and included them in the new Technology Supplies/Expenses category. We combined Salaries and Wages with Contract Labor and Insurance with Taxes, in both cases combining like items. In response to specific Board member feedback, Temporary Funding and Grants Expense is a separate line item containing grants and temporary funding for other organizations, which were previously included in Fees Expense. Budget and historical data have been reformatted as well, to maintain comparability with actual results. Please refer to page nine in the report for a reconciliation of the changes.

Income Variances – Actual to Budget and Actual to Estimate)

Key income variances as compared to budget and estimate are:

- **Annual Charge** revenue is at budget for the year and within 0.1% of the March estimate.
- **Tuition and Enrollment** is under budget by \$1,048,000 for the year and \$390,000 lower than the estimate. The budget shortfall was the effect of the State of Maryland mandated closure of schools on 16 March 2020, resulting in the cancellation of the School Age Services program at that time. The estimate was prepared before the announcement that the schools closure would extend through the rest of the 2020 school year, which increased the variance by \$390,000.
- **Fees** income is under budget by \$1,248,000 and below the estimate by \$94,000, due to the state mandated closures. Lower than budgeted rain garden grant income and lower past-due account fees due to improved collections and fewer transactions also contributed to the negative variance for the fiscal year.
- **Gain (Loss) on Fixed Asset Disposals** is worse than budget by \$170,000 for the year, and \$159,000 better than the March estimate. Renovations at Supreme Sports Club, unbudgeted disposals for Category III projects and two Open Space projects that were completed in FY 20 but expected to close in FY 19 all contributed to the negative variance for the fiscal year. We have significantly improved the identification and recording of fixed asset disposals; however, anticipating project completion dates over a year in advance for budgetary purposes will be an ongoing challenge.
- **The total of Direct and Allocated Membership Income** is \$3,630,000, or 18.2%, below budget for the year, as a result of the state mandated closures, and CA's decision to not bill membership revenue for March and April. The membership mix of more direct memberships than budgeted had also contributed to the revenue shortfall before the COVID-19 pandemic.

Income Variances – Year to Year

Key income variances as compared to FY 19 are:

- The **Annual Charge** revenue variance of approximately \$1.2 million (3%) is due to increases in assessed valuations for both residential and commercial properties, transfer activity, and additional billing from mainly downtown improvements.
- **Tuition and Enrollment** income is \$854,000 (19%) below FY 19, due to the State of Maryland's March 2020 closure of state public schools, resulting in the cancellation of the School Age Services program for the remainder of the school year.
- **Fees Income** is \$330,000 below FY 19, due to the state-mandated closure for COVID-19.
- **Gain (Loss) on Fixed Asset Disposals** has a \$608,000 favorable variance as compared to FY 19, due mainly to the significant losses on disposals related to Swim Center and Athletic Club work in FY 19 and the IT inventory clean-up, also in FY 19, which were partially offset by disposal losses from FY 20 projects at Supreme Sports Club and in open space.
- **Other Income** is \$321,000 lower than last year, due primarily to reduced rain garden reimbursements and delayed payments for easements in FY 20.
- **The total of Direct and Allocated Membership Income** is \$2,642,000, or 14%, below FY 19 due to not billing membership income in March and April as a result of the state-mandated closures of CA facilities.

Expense Variances – Actual to Budget and Actual to Estimate)

Expenses are under budget in most categories. Key variances are as follows:

- **Personnel costs**, the sum of Salary, Wages and Contract Labor, Annual Performance Incentives, Payroll Taxes and Employee Benefits, are under budget by \$2,017,000, or

5.9% for the year and essentially the same as the estimate. CA had finished the third quarter with about a \$583,000 favorable variance due to unfilled positions, as a result of the strong labor market through the third quarter. Personnel reductions affecting every single team member, including pay cuts, layoffs and furloughs, were instituted beginning March 30 in response to the impact of the COVID-19 crisis on CA's FY 20 revenues.

- **Operating Supplies/Expenses** are \$1,179,000, or 25.6%, below budget, due to variances in many areas from earlier in the fiscal year; including the impact of changing the annual report from print to digital and other changes in marketing toward more digital tactics, less outside training and staff development activities, postage and printing savings. This variance increased due to the closure of CA's facilities mid-March and intentional efforts to reduce expenses to offset the revenue shortfall.
- **Fees** are \$566,000, or 13.5 percent, over budget for the period, due to higher than anticipated costs for storm clean-up and tree removal in open space.
- **Repairs and Maintenance** are \$276,000 under budget for the year, due primarily to the positive impact of recent renovations and HVAC equipment replacements, and reduced needs due to the facility closures.
- **Depreciation** is under budget by \$892,000 due to slower than budgeted project completion, including intentional project slowing to manage cash flow.

Expense Variances – Year to Year

The significant variances between FY 20 and FY 19 are as follow:

- **Personnel costs**, the sum of Salary, Wages and Contract Labor, Annual Performance Incentives, Payroll Taxes and Employee Benefits, are only 1.1% higher than last year, due primarily to the impact of the personnel reduction efforts made in response to the COVID-19 crisis.
- **Operating Supplies/Expenses** are \$778,000 lower than FY 19 year to date, due to moving the annual report from print to digital, shifting the marketing mix to more digital, as well as cost saving measures related to the COVID-19 crisis.
- **Technology Supplies and Expenses** are \$439,000 higher than FY 19 as a result of the Dayforce application implementation and new telephone system as well as increases in subscription fees for other software.
- **Collection and Treasury Expenses** are \$197,000 lower than FY 19 due to the favorable impact of accounts receivable collections efforts on credit card fees and bad debt expense, as well as fewer transactions in FY 20 due to the mandated closure.
- **Fees expenses** are \$465,000, or 8.9%, lower than FY 19, due to flood clean-up in FY 19, lower legal fees for architectural covenant enforcement and other matters, and postponed consulting work to reduce expenses to offset the revenue shortfall.
- **Temporary Funding and Grants Expense** are \$207,000 or 28.8% greater than FY 19, as a result of additional Board-approved funding of Inner Arbor Trust operations and pathway development.
- **Repairs and Maintenance** is \$470,000, or 10%, lower than FY 19, due to the FY 19 flood repairs at Fairway Hills and fewer rain gardens being built in FY 20, as well as the recent capital improvement projects resulting in lower repair costs for new or renovated facilities.
- **Depreciation** expense is \$533,000, or 4.9 percent, greater than FY 19 due to completed capital projects.

For further explanation of individual variances throughout the organization, please refer to the FY 20 Fourth Quarter Financial Report and the reports from the department directors.



FOURTH QUARTER FY 20 FINANCIAL REPORT SPORT AND FITNESS DEPARTMENT

The Sport and Fitness Department completed fiscal year 2020 \$2,584,000 (37%) behind Budget, \$1,882,000 (24.5%) behind fiscal year 2019 and \$395,000 (4%) better than Estimate.

After finishing the third quarter of FY 20 with favorable variances to both the Budget and FY 19 to date, the significant negative variances compared to Budget and FY 19 at year-end are primarily related to the March 15, 2020 closure due to the COVID-19 pandemic. The closure and subsequent lack of membership income caused minor shortfalls in Fees and combined membership income compared to Budget to increase significantly by year-end. These shortfalls were unable to be offset with expense savings primarily due to the organizational decision to pay team members 100% of their pay for the rest of March and 75% of their pay for the first half of April.

Department highlights for the Fourth Quarter of FY 20 include:

COVID-19 Pandemic

The fourth quarter of FY 20 was interrupted by the COVID-19 global pandemic. All Sport & Fitness facilities were closed at 5 pm on Sunday March 15, 2020 in response to the pandemic. The team turned to developing content for virtual fitness activities with *CA at Home*, to help members stay engaged and focused on their fitness goals during the facility closures. The team also made the shift to a primarily remote work arrangement, with many team members on furlough. Facility staff routinely inspected buildings while they were closed, to ensure there were no water leaks, etc.

Congratulations and Welcome

Longtime CA team member and Superintendent of Fairway Hills Golf Club, Patrick Mather, was promoted to Director of Golf Maintenance. Most recently, Patrick guided his team in the repair of the course at Fairway Hills after the "winter kill" two years ago. The course at Fairway Hills was universally praised for its recovery and saw a significant increase in play as a result. William "Joey" Lam joined the team to replace Patrick at Fairway Hills Golf Club as the Superintendent. Joey came to us from his position as Superintendent at Richland Golf Club in Middletown, Maryland.

Fitness

With the growing interest in TRIBE team training, we opened our newest TRIBE studio at Columbia Gym on March 2.

On February 7, 2020, the Group fitness team held a special pop-up event at Columbia Gym. The event, Love to Dance, was led by multiple instructors and brought out 65 participants to dance the night away.

Tennis

The fourth quarter began with our Junior Tennis program seeing its highest ever enrollment, with 330 juniors registering for the February through April session.

Junior Tennis Director Arun Pant was selected to serve on the United States Professional Tennis Association's (USPTA) Mid-Atlantic Diversity and Inclusion Committee.

Haven on the Lake

Haven on the Lake held a workshop, Addiction and Mind-Body Practices: Learning to Live a More Joyful, Empowered Life. The workshop covered topics such as how addictions/unhealthy habits affect our brains; what mindfulness, meditation and neuroplasticity are and how we can use them to cope with addiction; and how we can reprogram our brains to be more positive. The February 22 workshop was sold out and hosted 35 participants.



FOURTH QUARTER FY 2020 FINANCIAL REPORT COMMUNITY SERVICES DEPARTMENT

The Community Services Department finished the year \$617,000 behind budget and \$1,257,000 worse than last year.

The impact of the COVID-19 pandemic accounts for the majority of variances in income. The variances in Tuition and Enrollment income and Fees Income as compared to Budget and the prior year are the result of the state-mandated closure of Howard County Public Schools, shutting down the School Age Services program on 16 March 2020. The variances between actual results and the estimate are due to the fact that the estimate was prepared before the state extension of the schools closure for the rest of the school year. The School Age Services program did not operate for the last six weeks of the fiscal year.

On the expense side, the variances in Salary, Wages and Contract Labor and Operating Supplies/Expenses as compared to Budget and last year are due to the savings associated with the COVID-19 pandemic as personnel and supplies costs were impacted since programs were shut down.

The increase in Temporary Funding and Grants Expense versus the prior year is due to additional grants provided to the Inner Arbor Trust for operations and pathway work this year.



FOURTH QUARTER FY 2020 FINANCIAL REPORT DEPARTMENT OF OPEN SPACE AND FACILITY SERVICES

The Department of Open Space and Facility Services is responsible for the management of Columbia's 3,600+ acres of open space, the construction, renovation and maintenance of CA's building inventory, capital improvements in Columbia's open space, watershed management and education and energy management. This department includes the functions and operational units of Open Space Maintenance and Services, Landscape Services, Construction Management, Fleet Management, Energy Management and Sustainability, Capital Improvements and Watershed Management and Improvements.

Noteworthy accomplishments during the fourth quarter included the following:

- Worked on planning improvements to the Supreme Sports Club Phase III for the lower level cycle studio, group fitness, women's gym and free weights room. Design was completed and permits secured.
- Installed solar panels at Slayton House and completed a procurement effort for a large solar system at the Swim Center.
- Dredged the Bowl Pond forebays in Oakland Mills.
- Completed paving from the parking lot to the manure bin at the Horse Center.
- Continued work permitting activities associated with sediment removal for Lake Elkhorn.
- The real estate services group continued to identify and resolve open space encroachments and processed several easements for access to CA open space.
- Installed new motorized winch at the Sports Park batting cages
- Completed work in the new TRIBE fitness room and cycle studio at Columbia Gym.
- Replaced exterior doors and vinyl siding at Thunder Hill Pool.
- Installed fiberglass wall panels in Swim Center Splashdown.
- Completed work to prepare outdoor tennis courts for spring opening including installation of windscreens, court and fence repairs, and net replacements.

The Department of Open Space and Facilities Services completed the fiscal year essentially on budget, with a favorable variance of \$118,000, or 0.7%. The actual FY 2020 decrease in net assets is \$838,000 or 5.1% greater than the prior year.



FOURTH QUARTER FY 2020 FINANCIAL REPORT DEPARTMENT OF COMMUNICATIONS & MARKETING

Strategy and Advertising: The “Live Life Larger” brand campaign continued through the end of FY 2020. After facility closings in March, the Department of Communications and Marketing (DCM) developed and launched CA at Home, a catalogue of on-line fitness and wellness videos and family activities programming with content furnished by Sport & Fitness and Community Services team members. See <https://www.columbiaassociation.org/blog/ca-at-home/> . This was promoted with a 4-week digital ad campaign aimed at maintaining awareness of CA during facility closures and providing a community service via connection to virtual CA programming.

Events: The Communications and Marketing (C&M) team had been planning for a membership open house (March 21) and the annual Kids Day celebration (June). All events ceased upon facility closures in March. We continue planning for the 2020 Veterans Day Parade and commemoration in collaboration with the Howard County Veterans Foundation and four other local sponsors, tentatively scheduled for November.

Media Relations / General Communications: DCM responded to media inquiries concerning program cancellations and facility closures resulting from the coronavirus pandemic. The entire department invested considerable time and resources supporting pandemic related communications during the quarter to CA members, the general public, CA employees and numerous targeted groups. The team drafted, edited and distributed communications to all of these audiences using email, social media, targeted email, website updates/bulletins.

Digital Marketing: CA witnessed a continued drop in membership leads during Q4, a trend which began in November 2019. Plans were made for a comprehensive digital membership acquisition campaign, but were shelved when all CA facilities closed due to the coronavirus pandemic in mid-March. The digital team overhauled large sections of columbiaassociation.org to reflect program cancellations and facility closures associated with the pandemic, with additional planning for reopening facilities.

Personnel: The DCM team launched remote work systems on March 16. The team continuously improved procedures and tracking tools. The team has adapted well to the new realities of telework, making full use of the tools furnished and maintained by the CA IT Division. In early April, the team adjusted processes and communications systems as most team members worked on 50% furlough schedules.



FOURTH QUARTER FY 2020 FINANCIAL REPORT PLANNING AND COMMUNITY AFFAIRS

Planning and Community Affairs oversees and coordinates Columbia's planning and community affairs functions. Planning efforts include land use, revitalization and transportation planning projects that impact Columbia. The office is also responsible for CA's interaction with Howard County government on planning, transportation and economic development projects and for CA's overall interaction with local government, civic and community-based organizations, including Columbia's village associations.

Fourth quarter work was interrupted by COVID-19, forcing immediate modification to both our focus and spending. While planning staff continued to review ongoing development proposals for projects proposed in and around Columbia, there was a slow-down in development activity while county agencies transitioned to virtual meetings. This, however, gave staff the opportunity to focus on providing support to the Villages as both they and CA learned to navigate operations in the midst of a pandemic.

Additionally, at the end of the fourth quarter, OPCA began the process of soliciting a consultant to facilitate the Board of Directors in a series of visioning and planning sessions to help guide CA into its future. This will be one of our Department's primary focuses in the next fiscal year.

Fourth quarter financial variances are almost exclusively related to COVID-19, or the carry-over effects of the Director's vacancy earlier in the fiscal year.



FOURTH QUARTER FY 2020 FINANCIAL REPORT DEPARTMENT OF ADMINISTRATIVE SERVICES

Administrative Services finished the fiscal year (FY) 2020 essentially on budget, and \$818,000, or 2.0%, higher than FY 2019. The variance between the FY 20 actual results and FY 19 is due to the increase in annual charge revenue, as a result of assessed valuation increases, phase-in values from transfers and additional billing for improvements.

As reported previously, the first nine months of FY 20 were one of the most challenging periods the team has faced in recent years, due in large part to the implementation of the new human resources information system, Dayforce. The first six weeks of the fourth quarter were essentially operations as usual, with completing the FY 21 and conditional FY 22 budgets, closing the third quarter, preparing for year-end, etc. Beginning mid-March with the state-mandated shutdown of Columbia Association activities and programs, the team dedicated all of their energy and expertise to supporting CA through the ongoing COVID-19 pandemic.

Fourth quarter highlights from the department include:

Accounting and Finance

In March, CA opted not to bill for memberships while facilities were closed, and recognized that billing might not occur for at least several months. The revenue loss from all canceled programs, facilities and services was approximately \$3 million per month.

The Director of Finance/Treasurer led department directors in implementing immediate expense reduction measures, including postponing capital projects for the remainder of FY 20 and reducing what will be done in FY 21. The Finance team also led the organization in updating projections – revenues, expenses and capital spending – for the end of FY 20 and ultimately for a significantly revised FY 21 budget, and began the external audit process for both the financial statements and the 401(k) plan.

The Finance team filed an insurance claim under CA's business interruption coverage, which was denied. CA's request for rent abatement for Haven on the Lake was also denied. But the Finance team obtained approval of a new financing package and continued to evaluate various COVID-19 relief packages for applicability to CA and the village community associations ("villages"). In early April, CA submitted an application for an SBA COVID-19 Economic Injury Disaster Loan and received confirmation that the application was received. This loan program is intended to provide loans up to \$2 million. At quarter's end, the amount for which CA may qualify was unknown.

The annual commercial insurance renewal process resulted in a 14%, or \$108,000, increase in premiums over the expiring coverage, as compared to a budgeted increase of 3.5-4%. The villages' total premiums for their property and general liability packages increased only 6%, or \$2,717, so the additional burden to each village is only an average of \$272 for the entire year.

Human Resources and Learning and Organizational Development (HR)

In response to closures due to the COVID-19 pandemic, the HR team helped department directors assess staffing requirements and implement pay reductions, layoffs, and furloughs that resulted in a 70% reduction in payroll expenses. These measures also resulted in longer response times and service reductions. The HR Division supported team members impacted by these reductions by providing information about CA's Employee Assistance Program services and offering guidance for navigating the state's unresponsive unemployment insurance process. The HR team also utilized a payroll tax deferral program offered by the IRS to enable CA to defer initially more than \$60,000 of payroll taxes (will be close to \$900,000 by the end of the deferral period). As the quarter ended, HR continued work on the training and safety mitigation needed for the workforce when CA reopens.

Information Technology (IT)

The Information Technology (IT) Division worked diligently to expand CA's remote work capabilities (hardware, software, and communications), as well as to test alternatives and provide instructions to team members, some of whom were working remotely for the first time.

Working remotely themselves except for emergency situations, IT team members continued to manage and monitor the use of and security for CA's network services and data. All internal systems and CA partner applications performed without interruption.

The IT Division provided technical support and meeting-access information to CA Board members for the first-ever virtual meetings of the CA Board of Directors.

Purchasing

The Purchasing Division researched and sourced materials and supplies needed for reopening CA's facilities and headquarters, including disinfectants, PPE for team members, plastic shields for customer-facing spaces, etc. The Division supported team leaders through remote processes that most had not used previously, to work with vendors and to ensure that the prerequisite purchase orders and contracts were in place for FY 2021 and when CA reopens.