



14 September 2020

Dear Chairman Stack and Other Board Members:

I am pleased to present you with the organization's Financial Report for the first quarter of Fiscal Year ("FY") 2021, covering the three months from 1 May 2020 to 31 July 2020.

We finished the first quarter \$3,656,000 better than budget and \$4,210,000 above the same period in FY 2020. Acknowledging that this reporting period covers only the first quarter of our fiscal year and that we continue to conduct the business of CA in unprecedented, uncertain and challenging times; however, we project finishing FY 2021 approximately \$827,000 above the budgeted increase in net assets of \$36,000. Financial highlights are included in the First Quarter 2021 Financial Report.

Additionally, as part of their quarterly report, each department director has provided further explanation of their first quarter results, including noteworthy variances.

We appreciate your leadership in all of the efforts of Columbia Association.



Milton W. Matthews
President/CEO
Columbia Association, Inc.



COLUMBIA ASSOCIATION, INC. FIRST QUARTER FY 2021 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 percent. This requirement does not apply to totals or subtotals.

ORGANIZATION-WIDE FINANCIAL HIGHLIGHTS

As Mr. Matthews noted in his letter, Columbia Association (“CA”) completed the first quarter of FY21 approximately \$3.7 million, or 11.3 percent, over the budgeted increase in net assets. Total income of \$46.2 million was \$2.6 million or 6% above budget for the quarter and about \$4.6 million, or 9%, below the same period in FY20. Total operating expenses of \$10.2 million were 9.3% below budget and almost \$8.8 million, or 46.2%, lower than the first quarter of last year. Although it is early in the year for these projections, CA anticipates ending FY21 above budget with an increase in net assets of approximately \$864,000.

Income Variances – Actual to Budget (Year-to-Date and Current Year Estimate)

Key income variances as compared to budget are:

- **Annual Charge** revenue is slightly above budget for the quarter and is projected to be at budget for the year, as a result of anticipated tax credits and abatement requests during the year.
- **Tuition and Enrollment** is projected to be \$900,000 below budget for the year, due to the impact on the School Age Services program of distance learning in Howard County Public Schools for the fall semester.
- **Fees Income** is better than budget for the quarter by \$673,000 and is projected to be above budget by \$587,000 for the year, due the earlier than budgeted reopening of both golf courses and outdoor tennis. Play at both golf courses has exceeded previous years and tennis instruction has also been very popular this summer.
- **Rental Income** is above budget for the quarter by \$220,000, and is projected to be above budget by \$476,000 for the year, due to increased play at both golf clubs (cart rentals) and the Howard County Youth Hockey program at the Ice Rink.
- **The total of Direct and Allocated Membership Income** is \$702,000, or 85%, above budget for the quarter, due to the earlier than budgeted June 2020 reopening. At this point early in the fiscal year, total membership income is projected to be about \$1 million below budget for the year, with a projected negative variance of 10.5%, based on the return of members being slower than anticipated.

Income Variances – Year to Year

Key income variances as compared to the first quarter of FY20 are:

- The **Annual Charge** revenue variance of approximately \$1.6 million (3.7%) is due to increases in assessed valuations for both residential and commercial properties, transfer activity, and additional billing from improvements.

- **Tuition and Enrollment** is \$989,000 or 100% below the first quarter of FY20 due to the decision to not offer summer camps as a result of the COVID-19 pandemic and resulting financial crisis, as well as the March 16, 2020 closure of Howard County Public Schools for the rest of the 2019/2020 school year, which shut down CA's School Age Services program at the same time.
- **Direct and Allocated Membership Income, Fees Income and Rental Income** are significantly lower than the same period last year, due to the state-mandated closures in March 2020 of most of CA's facilities as a result of the COVID-19 pandemic.

Expense Variances – Actual to Budget (Year-to-Date and Current Estimate)

Expenses are under budget in many categories, and, at this point early in the year, are projected to remain so by year-end. Key variances are as follows:

- **Personnel costs** (the sum of Salary & Wages, Annual Performance Incentives, Contract Labor, Payroll Taxes and Employee Benefits) and **Operating Supplies/Expenses** are under budget and expected to remain so for the year due to the COVID-19 closure and the ongoing impact of the pandemic on CA programs, facility usage and restrictions on events and gatherings.
- **Fees** are \$402,000, or 40.9% below budget for the quarter, due in part to the pandemic as well as intentional spending delays to see how the operating results and cash flow were for the first quarter. We expect Fees Expense to be essentially on budget for the fiscal year.
- **Depreciation** is over budget by \$158,000 for the quarter, and is anticipated to be \$746,000, or 6.4%, over budget for the year due to an error during the FY21 budget revision process.
- **Interest** expense is under budget for the quarter by \$278,000, or 56.3%, and is projected to be \$388,000 under budget for the year, due to lower than budgeted line of credit borrowing needs and because the actual interest rate on the June 2020 term loan financing is more favorable than budgeted.

Expense Variances – Year to Year

The significant variances between the first quarter of FY21 and the same period in FY20 are due to the impact of the COVID-10 pandemic and corresponding financial crisis as it impacted CA programs and facilities.

For further explanation of individual variances throughout the organization, please refer to the FY21 First Quarter Financial Report and the reports from the department directors.



FIRST QUARTER FY 2021 FINANCIAL REPORT SPORT AND FITNESS DEPARTMENT

The Sport and Fitness Department completed the first quarter of fiscal year 2021 \$1,337,000 (36.1%) better than budget and \$182,000 (8.4%) below the first quarter of fiscal year 2020. Significant favorable variances in Fees and Rental Incomes due to the earlier than projected reopening and increased play in Golf and Tennis, as well as the earlier than budgeted reopening of the three fitness clubs, Haven on the Lake, Swim Center, indoor tennis and SportsPark all contributed to the strong first quarter results. The projected favorable results in Fees and Rental Income help to offset the projected shortfall in Membership Allocations for the year-end estimate. While it is early in the fiscal year, we anticipate the department finishing the year \$297,000 (2.4%) better than budget

Department highlights for the First Quarter of FY 21 include:

Department of Sport and Fitness: Following the state-mandated closure of all facilities effective March 16, 2020, golf and outdoor tennis were able to reopen on May 13, 2020. This was followed by most indoor facilities reopening on June 20, 2020.

Tennis: Tennis saw a tremendous demand for instruction after reopening. The Tennis team delivered 528 private and semi-private lessons between the restart of programming on June 3 and the end of the quarter.

Small group junior and adult programming restarted on July 6 and averaged 40 participants per day in the daily academy and afternoon/evening classes.

A modified USTA league program began on July 27 and launched with over 400 participants.

CA was featured by USTA in their Facility Spotlight highlighting our safety process as a guide for how to reopen a tennis facility safely.

Golf Courses: Fairway Hills Golf Club has experienced higher than normal usage since it has reopened and finished the first quarter with 1,200 more rounds than the same period last year.

Hobbit's Glen Golf Club experienced full tee sheets after reopening in May and June for the first time since the 1990's.

Fitness Clubs and Haven on the Lake: The Columbia Athletic Club, Supreme Sports Club, Columbia Gym and Haven on the Lake all reopened to a new way of exercising. Physical distancing was in place in all areas of the facilities; class sizes were limited to ensure proper spacing; and, many activities required reservations. Even with the “New Way to Play” many members were excited to return to their clubs and see longtime friends.

Ice Rink: The Ice Rink reopened on July 13 for use by the Howard County Youth Hockey club and the Columbia Figure Skating Club.



FIRST QUARTER FY 2021 FINANCIAL REPORT COMMUNITY SERVICES DEPARTMENT

The Community Services Department finished the first quarter \$69,000 better than budget and \$982,000 better than last year and is projected to end the year \$321,000 ahead of budget. The positive variances are primarily due to savings in personnel costs due to pay reductions, staffing and scheduling changes as a result of the COVID-19 pandemic, mandated closures and restrictions on events and gatherings.

School Age Services has been cancelled since March 2020 due to the closing of the Howard County schools, which accounts for the variances in Tuition and Enrollment and Fees income. Although distance learning will take place in the fall, we are exploring a modified child care program to assist working parents.

Summer Camps and the Lakefront Festival were also cancelled during the summer due to the COVID-19 restrictions in place at the time.

Columbia Archives, Art Center, Camps, Teen Center and School Age Services programs maintained connections to the community through virtual programming through CA@Home. Content was uploaded very two weeks to engage children and adults in arts and crafts, nature activities, Columbia history and family programming to keep everyone active during this time.

The International Exchange and Multicultural program cancelled the summer high school exchange. However, the program implemented virtual international book clubs and language cafes where native speakers would converse with participants in several different languages.

The Volunteer Center assisted local non-profits and governmental agencies in connecting volunteers with the needs of non-profits by holding virtual trainings and on-boarding volunteers.

The decrease in Fees Expense as compared to last year is due to the elimination of grants in the FY21 budget as a result of the financial impact of COVID-19.



FIRST QUARTER FY 2021 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 first quarter included the following:

- Roof replacements for Running Brook, Kendall Ridge, Bryant Woods and Thunder Hill neighborhood centers.
- Flooring installation in Owen Brown Community Center Meeting Room and Preschool Room.
- Swim Center Flooring.
- Reopening support for golf, tennis and athletic facilities, which included the installation of 75 ultraviolet (UV) sanitizing fans.
- Managed the reopening of the Columbia Dog Park, basketball courts and tot lots.
- Providing continuous oversight of all CA facilities to maintain a “stand-by” mode for mechanical and plumbing systems as well as safety and security.
- Wilde Lake Barn structural and drainage repairs.
- Rustling Leaf/Farbell path and stream restoration project.
- Real Estate Services: Tamar Drive roundabout, Hylabrook, Eden Brook easements processed; structural maintenance for Shaker Drive Pond and Wayover Pond transferred to Howard County; Symphony Woods support.

The Department of Open Space and Facilities Services completed the first quarter \$856,000, or 28.7%, better than the final Board-approved budget, and anticipates ending the fiscal year with a negative variance of \$76,000.



FIRST QUARTER FY 2021 FINANCIAL REPORT DEPARTMENT OF COMMUNICATIONS & MARKETING

Customer and Member Service Center (CMSC): team members continue to work remotely; flexibly staffed to ensure a one-day response to incoming emails and telephone messages. As a result of revisions to the operating budget for FY 2021, the Member Advantage Program (which provided members access to Baltimore Ravens tickets via an annual lottery, Orioles tickets, and movie theatre tickets) has been eliminated.

Reopen Preparations: Department of Communications and Marketing (DCM) prepared all signage, social media announcements and web site updates to communicate reopening of CA facilities. The team continues to prepare for additional reopenings anticipated in the months ahead. Please see <https://www.columbiaassociation.org/blog/ca-reopens/> for facility guidelines and FAQs.

CA at Home: DCM continues to increase the number of on-line fitness and wellness videos and family activities programming with content furnished by team members from Sport and Fitness and Community Services. Please see <https://www.columbiaassociation.org/blog/ca-at-home/>. The team added closed captioning to videos to enhance accessibility for our deaf and hearing-impaired community. At the halfway point, the campaign has yielded 590 impressions, resulting in more than 400 clicks and approximately 300 CA landing page visits (within the targeted norm for this media).

Special Interest Newsletters: DCM continues to publish targeted newsletters, offering valuable information on a variety of interests.

Digital Marketing: The Digital Marketing team developed and delivered messaging to Sport and Fitness members encouraging compliance with safe workout practices and posted new social media of CA fitness instructors and personal trainers providing fitness tips on Instagram and Facebook. Additionally, the team produced new content for digital signage in all CA facilities, cross marketing CA services and reminding patrons of safe exercising practices. Please see <https://www.columbiaassociation.org/reopening-playbook/> for CA's New Way to Playbook that goes into the efforts that CA is taking to keep our team members and customers safe.



FIRST QUARTER FY 2021 FINANCIAL REPORT DEPARTMENT OF ADMINISTRATIVE SERVICES

Administrative Services finished the first quarter of Fiscal Year 2021 \$842,000, or 2%, above budget, and \$1,128,000, or 2.7%, higher than the first quarter of FY20. We anticipate ending the fiscal year essentially on budget. The variance between the FY21 actual results and FY20 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 FY20 represented 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. During the first six weeks of the fourth quarter, Administrative Services was essentially operating as usual, completing the FY21 and conditional FY22 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 emerging COVID-19 pandemic. This period was made even more difficult by work force reductions.

First quarter highlights from the department include:

Accounting and Finance

The Director of Finance/Treasurer led the organization in updating projections – revenues, expenses and capital spending – for a significantly revised FY21 budget, which the CA Board approved on June 4, 2020. The revised budget document is posted on CA's website.

The Finance team worked with Sport and Fitness, Communication and Marketing and IT to manage the membership billing cycle as we began to bill Golf memberships in May and all others except for Play in June. The team also worked with Community Services to issue refunds for FY21 camps that were cancelled due to COVID-19.

The Finance team closed on a new bank financing package for CA in late June, comprised of a \$20 million term loan, retiring the existing line of credit, and a \$10 million line of credit with the potential to increase to \$20 million in September. CA met the annual charge collection goal required to obtain the increase in the line of credit from \$10 million to \$20 million at the end of the first quarter, well in advance of the September 15 requirement.

The Finance and HR teams, with significant assistance from the Director of Internal Audit, managed multiple payroll changes manually during the first quarter due to furloughs, layoffs, schedule modifications and the Workshare program.

The finance team led the external audit process for both the financial statements and the 401(k) plan, which were completed on time and with good results. The independent external auditors presented their reports to the Audit Committee and other attending Board members, and the report was posted on CA's website.

Working primarily remotely and with a temporarily reduced staff, the Annual Charge team produced, printed, and mailed the annual charge invoices in a timely manner consistent with prior years. The team also transitioned the tax credit and refund procedures to virtual processes. The team was able to maintain our customer service standards, in part due to the elimination of in-person payments, handling 2,050 emails and 2,146 phone calls from July 1 to July 31st.

Human Resources and Learning and Organizational Development (HR)

The HR team continued to help department directors with staffing changes, and to support team members affected by layoffs, furloughs and pay cuts. The HR Division supported team members impacted by these reductions by answering questions, providing information on CA's Employee Assistance Program services and offering guidance for navigating the state's flawed and unresponsive unemployment insurance process.

Human Resources researched an alternative to the Maryland State Unemployment system dysfunction and led the organization through the submission of an application for Workshare, which was approved in late June. The Workshare program facilitates more timely unemployment benefit payments, including the \$600 weekly federal component. Getting CA's work sharing program approved by the Maryland Department of Labor was a significant accomplishment by the HR team, which has also been impacted by staffing reductions. Unfortunately, processing issues and ongoing ineffectiveness at the Department of Labor and the unemployment office resulted in continued delays in benefits payments to eligible team members. The issues were ultimately resolved, and team members' payments are now current.

HR worked with other CA leaders to finalize the Reopening Playbook, and conducted training and safety mitigation for team members who came back to work this quarter as the Governor allowed various facilities to reopen.

The Learning and Organizational Development team developed and produced an e-newsletter sent to all team members with information and tips on coping with COVID-19, opportunities for learning and connection, and other fresh content.

The Director of Human Resources led the recruitment and hiring of the new Chief Marketing Officer (Director of the Department of Communications and Marketing) and the new Senior Media Relations Manager, both of whom were scheduled to begin their CA careers in August.

Information Technology (IT)

The Information Technology (IT) Division is investigating several cybersecurity enhancements to Virtru and virtual work solutions, including a virtual desktop option, as well as multi-factor authentication. Implementation of these solutions should be able to occur prior to fiscal year end, pending adequate cash flow and operating expense capacity as compared to budget.

Working remotely themselves for the most part, 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 continues to provide technical support and meeting-access information to CA Board members for virtual meetings of the CA Board of Directors.

Purchasing

In addition to the normal day-to-day procurement and contract administration responsibilities, the Purchasing Division (staffing reduced temporarily to two from 3.75 full-time equivalents) fully provisioned CA's facilities and headquarters for reopening in a pandemic. The Division has also been leading request-for-proposal processes for high-interest procurements such as an operator for the Columbia Horse Center and a search firm for a new President/CEO.



FIRST QUARTER FY 2021 FINANCIAL REPORT PLANNING AND COMMUNITY AFFAIRS

The Office of Planning and Community Affairs (OPCA) 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.

The first quarter was spent preparing for the kickoff of the New Town Visioning Work Sessions began, a six-month long facilitation effort to help the Board and Villages imagine Columbia in the coming decades. The first work session was held at the end of the first quarter.

COVID-19 caused the cancellation of the National Planning Conference.

Coordination with the 10 villages continues. As a consequence of COVID-19, a Management Contract was prepared and five of the villages adopted it, resulting in some modifications to Repairs and Maintenance spending thresholds and Cash Reserve caps. This effort took place in the first quarter and the new contracts are now in effect.

And, while the ongoing impact of COVID-19 is still being felt, Howard County has established more-or-less routine hearings for development applications, which OPCA monitors and attends virtually.

There were no significant financial variances in the first quarter.