



October 28, 2020

To: CA Board of Directors
Milton W. Matthews, President/CEO

From: Susan Krabbe, Vice President and CFO

Cc: Lynn Schwartz, Director of Finance/Treasurer
CA Senior Leadership Team Members

Re: Analysis of Income and Expenses

Attached is the requested analysis of fixed and/or necessary expenses and estimated income, factoring in input from the CA Board discussion during the work session on October 19, 2020 and input received after that meeting. The accompanying notes provide the assumptions and bases used in the analysis, and are essential to interpreting and using the data. In addition, the visit/usage/participation information in the October 19, 2020 Board work session packet provides important context related to CA's activities, services and programs. Here is the link to the information: [October 19, 2020 work session packet](#).

The numerous assumptions that went into this information were thoroughly and carefully developed by Finance and Audit team members. Since they are assumptions, they are subject to change as additional and new information/data becomes available.

This is a very complex approach and analysis with at least three critical considerations:

1. You must include the additional administrative and communications overhead that will need to be added to support the program/facility costs you want to include. The overhead included in the spreadsheet is based on what would be adequate to support Open Space and Facilities Services, the annual charge billing and collection, and the Office of the President.
2. Changes to Sport and Fitness facilities that are included in membership packages will impact membership income in ways that are not contemplated in this analysis. For example, removing components of the CA Fit&Play membership will at some point reduce the value of that membership to a 1Fit or Play membership resulting in potentially lower membership income. You must incorporate the impact of these factors in the

program/facility costs you want to change. A comprehensive evaluation of the membership structure has a longer outlook, and would not be possible in time for the development of the FY22 budget.

3. This analysis has short-term relevance and potentially long-term implications. While certainly some of CA's facilities, services and programs are more popular than others, especially to non-members, ALL contribute to both the quality of life enjoyed by our community for decades and to residential and commercial property values. This is highlighted by the fact that even during this pandemic, CA has over 11,000 memberships, serving even more individual members. The long-term effect of significantly reduced programs and services will be reflected in property valuations, and thus, the annual charge revenue. The 2014 economic impact study documented the favorable impact of CA on the average price of a house ranged from 3.25% to 8% at that time. While that data may be six years old, the methodology is still relevant. At that time, CA provided more than pathways and outdoor pools.

As you know, the CA Mission is to “engage our diverse community, cultivate a unique sense of place, and enhance quality of life” and our Vision statement is “CA creates and supports solutions to meet the evolving needs of a dynamic and inclusive community.”

Even during these extraordinary times, the CA team remains focused on serving the greatest possible number of Columbia community members through the services, programs and facilities that can be offered within our current financial constraints. This goal presumes the full employment of as many CA team members as are needed, as constrained by program needs (i.e., what work actually must be done given program participation levels) and our financial limitations. This is the lens through which staff plans to approach the development of the draft FY 2022 budget, supporting our Mission, Vision and Strategic Plan.

Columbia Association, Inc. - REVISED 10/29/2020
Analysis - Income and Expense and Sources and Uses of Cash
\$000's

	-----Note 1-----			CA Board-Directed Analysis	
	FY19	FY20	FY21 Estimate		
INCOME:					
Annual Charge	\$40,867	\$42,090	\$40,631	\$41,500	
Sport and fitness	\$25,932	\$23,447	\$12,894		
Community services	\$4,778	\$3,843	\$1,561		
Communications and marketing	\$152	\$134	\$155		
Open space and facility services	\$778	\$363	\$290		
Village community associations	(\$82)	(\$6)	(\$85)		
Interest income and other	\$224	\$337	\$148	\$200	Note 2
Total income:	\$72,649	\$70,208	\$55,594	\$41,700	
EXPENSES:					
Sport and fitness	\$22,001	\$21,320	\$13,810	\$2,397	Note 3
Community services	\$6,173	\$6,350	\$2,305	\$236	Note 4
Communications and marketing	\$3,946	\$3,679	\$3,152	\$1,522	Note 5
Open space and facility services	\$10,055	\$10,458	\$8,546	\$8,977	Note 6
Village community associations	\$4,126	\$3,703	\$3,335	\$3,335	Note 7
Supporting Services:					
Administrative services	\$6,945	\$7,321	\$6,420	\$4,162	Note 8
Office of the President	\$2,409	\$1,997	\$1,829	\$1,965	Note 9
Board of Directors	\$120	\$69	\$96	\$9	Note 10
CA-wide:					
Depreciation expense	\$10,847	\$11,380	\$12,432	\$13,200	
Insurance and taxes	\$1,206	\$1,244	\$1,531	\$1,600	
External audit	\$41	\$42	\$44	\$44	
Interest expense	\$943	\$938	\$1,230	\$1,600	
Total expenses	\$68,812	\$68,501	\$54,730	\$39,047	
Increase in Net Assets (the remaining p&l amount)	\$3,837	\$1,707	\$864	\$2,653	

SOURCES/(USES) OF CASH NOT INCLUDED ABOVE:

Available cash from operations - Increase in Net Assets plus depreciation (non-cash expense)	\$14,684	\$13,087	\$13,296	\$15,853	
Proceeds from June 2020 term loan net of credit line repayment & issuance costs			\$2,421		
Capital expenditures	(\$17,533)	(\$15,303)	(\$7,200)	(\$3,724)	Note 11
TD Required Reserve			(\$3,000)	(\$3,000)	Note 12
Principal payments on term debt and leases	(\$1,893)	(\$1,999)	(\$3,893)	(\$3,893)	
Cash back to general liability self-insurance fund			(\$1,000)	(\$1,000)	
Rainy day fund			(\$2,000)	(\$2,000)	
Available Cash/(Borrowed) - the remaining cash amount	(\$4,742)	(\$4,215)	\$624	\$5,237	

IMPORTANT: The accompanying notes provide essential information for readers to interpret and use the information presented above.

Columbia Association, Inc. - REVISED

Notes to the Analysis - Income and Expense and Sources and Uses of Cash

October 29, 2020

Note 1	Fiscal years 2019 and 2020 income and expenses are actual results. FY21 is the current estimate reported as of July 31, 2020. Department expenses for fiscal years 2019 through 2021 exclude expenses that have been shown separately as "CA-Wide" (required): Insurance and Taxes, Depreciation, Interest and the external audit cost. Communications and Marketing allocations and Administrative Services allocations are also excluded from the departments' expenses, as they are shown separately.
Notes 2 through 11 apply to the column entitled "CA Board-Directed Analysis."	
Note 2	Interest income is the amount expected to be earned on the self-insurance fund investments. No Sport and Fitness or Community Services program, service or facility income was included in this analysis.
Note 3	S&F - Includes Haven rent of \$1,079,000, a portion of HQ rent and estimated utilities (based on FY21 Q1 actual) and repairs and maintenance (based on FY21 Q1 budget) necessary to condition, clean and maintain buildings temporarily.
Note 4	Community Services - Includes portion of HQ rent, estimated Art Center and Teen Center utilities and repairs and maintenance necessary to condition, clean and maintain buildings temporarily.
Note 5	Communications and Marketing - FY19 allocations to CA Board, Annual Charge, Open Space and Villages, plus portion of HQ rent and department leadership personnel costs
Note 6	OS&FS - FY19 actual expenses net of revenue, excluding depreciation, interest, insurance and taxes, and C&M alloc. Also reduced by \$300K to reflect reduction in Capex
Note 7	Village Community Associations - FY21 estimate less depreciation, interest, insurance and taxes, and C&M alloc.
Note 8	Administrative Services - Fixed or necessary costs include IT network and software licenses under contract, approx. 1/3 total admin.dept compensation, benefits and supplies to support Open Space Dept, Annual Charge, Office of the President, the Villages and BOD plus a portion of HQ rent. HQ rent totals approximately \$800K.
Note 9	Office of the President - FY19 actual expenses less insurance, taxes and consulting fees. Also, further reduces legal fees by \$300K.
Note 10	Board of Directors - FY21 estimate less C&M alloc., depreciation, insurance and taxes and consulting fees
Note 11	Capital expenses - FY22 projections for: Lake Elkhorn and Wilde Lake dam projects; Cat II parking lots, boardwalks, bridges and 1/2 of pathways; watershed stabilization projects; Owen Brown Community Center roof; 1/2 of Equipment and Vehicles and 1/2 of the total Cat III allocation.
Note 12	The \$3,000,000 reserve required by the lender is accounted for in the FY21 estimate, and does not need to be added again in future periods.