



1 December 2020

Dear Chairman Stack and Other Board Members:

I am pleased to present you with the organization's Financial Report for the 2nd Quarter of Fiscal Year ("FY") 2021, covering the six months from 1 May 2020 to 31 October 2020.

We finished the first six months of the year \$7.1 million better than budget and \$5.3 million above the same period in FY 2020. Acknowledging that this reporting period covers only the first half 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 \$737,000 above the budgeted increase in net assets of \$36,000. Financial highlights are included in the 2nd Quarter 2021 Financial Report.

Additionally, as part of their quarterly report, each department director has provided further explanation of their 2nd 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. SECOND 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 six months of FY21 approximately \$7.1 million, or 34.5%, over the budgeted increase in net assets. Total income of \$50.7 million was nearly \$4.7 million or 10.1% above budget for the period and about \$8.5 million, or 14.3%, below the same period in FY20. Total operating expenses of \$23.1 million were 9.5% below budget and almost \$13.8 million, or 37.3%, lower than the first six months of last year. At the half-way point in the fiscal year, CA anticipates ending FY21 above budget with an increase in net assets of approximately \$773,000.

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

Key income variances as compared to budget are:

- Annual Charge revenue is 4.7% above budget for the period and is projected to be at budget for the year, as a result of anticipated abatement requests during the year. The Annual Charge revenue estimate for FY21 anticipates \$4 million of abatement billing adjustments, primarily to commercial property owners, as a result of reduced valuations caused by COVID-19. At year end we will evaluate actual abatements processed during the year and determine the need to reserve for further abatement activity related to FY21 billings.
- **Tuition and Enrollment** is projected to be almost \$2.1 million below budget for the year, due to the impact on the School Age Services program of distance learning in Howard County Public Schools. The school system recently announced that they will be continuing with distance learning through April 2021.
- **Fees Income** is better than budget for the period by \$1.4 million and is projected to be above budget by just over \$1 million for the year, due to the earlier-than-budgeted reopening of both golf courses and outdoor tennis. Play at both golf courses has exceeded previous years and tennis play and instruction have also been very popular year-to-date.
- **Rental Income** is above budget for the period by \$566,000, and is projected to be above budget by \$778,000 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 \$731,000, or 22%, above budget for the period, due to the earlier-than-budgeted June 2020 reopening. At the half-way point in the fiscal year, total membership income is projected to be about \$572,000 below budget for the year, with a projected negative variance of 5.9%, based on the return of members being slower than anticipated.

- **The Gain (Loss) on Fixed Asset Disposals** is \$242,000 better than budget due primarily to vehicle trade-in values and the timing of asset disposals. The variance is expected to be a negative \$584,000 for the year, due to the loss on disposal from the Lake Elkhorn dredging project, which is anticipated to be completed by April 30, 2021.

Income Variances – Year to Year

Key income variances as compared to the first six months 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 almost \$2.1 million or 98.1% below the period in FY20 due primarily to the March 16, 2020 closure of Howard County Public Schools for the rest of the 2019/2020 school year as well as the later decision to move to 100% virtual learning through April 2021, which shut down CA's School Age Services program at the same time. A much smaller childcare program is currently operating in three schools. The decision to not offer summer camps as a result of the COVID-19 pandemic and resulting financial crisis and related capacity restrictions in other programs such as Art Center classes, also contributed to the negative variance.
- **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 and the phased reopening of facilities and modified operations and programs.

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

Expenses are under budget in many categories, and, at the half-way point 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) are \$837,000 or about 9% below budget for the first half of the fiscal year, and are expected to remain below budget for the year. The variances are the effect of staffing and scheduling changes as a result of modified operations and programs and continued restrictions on group events and gatherings due to the ongoing pandemic.
- **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. Remote work for many team members and the savings for School Age Services due to the extension of virtual learning through April 2021 will continue to keep CA-wide Operating Supplies/Expenses under budget for the year. The variance is projected to be lower for the year (versus the first six months), as spending intentionally delayed for the first six months returns to closer to budgeted levels in other areas of the organization.
- **Technology Supplies/Expenses** are \$305,000 or 33.1% below budget for the first six months of the year due primarily to the timing of the planned data center move scheduled for the third quarter and implementation of multifactor authentication scheduled for the fourth quarter. Technology Supplies/Expenses are projected to be on budget for the year.
- **Fees** are \$615,000, or 29.6% below budget for the period, due in part to the pandemic (mandated closure, phased reopening and program changes) as well as intentional spending delays for the first six months of the year. We expect Fees Expense to be approximately \$351,000 (9.1%) under budget for the year, of which \$227,000 is due to a shift by the new Chief Marketing Officer from outside marketing and advertising services toward a more in-house model.

- **Depreciation** is over budget by \$225,000 for the period, and is anticipated to be \$713,000, or 6.1%, over budget for the year due to an error that occurred during the FY21 budget revision process.
- **Interest** expense is under budget for the period by \$292,000, or 34.6%, 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 six months 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 Second Quarter Financial Report and the reports from the department directors.



SECOND QUARTER FY 2021 FINANCIAL REPORT SPORT AND FITNESS DEPARTMENT

The Sport and Fitness Department completed the second quarter of fiscal year 2021 \$2,596,000 (36.8%) better than budget and \$932,000 (26.4%) behind the second quarter of fiscal year 2020. Greater than expected membership and fee income resulting from earlier than anticipated re-openings outweighed the higher than anticipated payroll and repair and maintenance expenses also associated with the earlier re-openings. We expect the trends to reverse slightly as the continued pandemic reduces the anticipated income growth in the third and fourth quarters and expect to finish \$1,255,000 (10.1%) better than Budget at year-end.

Department Highlights for the Second Quarter of FY 21 include:

SportsPark

To coordinate with the virtual school schedule, the SportsPark was open from 11:00 am - 7:00pm on Wednesdays for parents to bring their children during the daytime for an outdoor physical activity. Our first Wednesday was very successful with over 50 and October 7th recorded 144 people at the SkatePark. We have averaged around 60 participants each Wednesday, which have continued to be an important part of the students' week due to virtual learning.

Batting cages have been very popular with coaches from various organizations this fall. Since the middle of October we have hosted 11 different baseball teams for rentals or token purchases.

Tennis

The 2020-2021 Block Time season resumed successfully and safely indoors on August 24 at Long Reach Tennis Club and Athletic Club Indoor Tennis with approximately 60% renewals from last year. Approximately 87 groups play each week.

Summer Junior and Adult Tennis Academy and Pickleball Academy concluded on August 30, and were extremely successful and safe, averaging over 40 participants per day.

Fall 1 Junior and Adult group programs (August 31 to November 8) had 250 participants enrolled in the program. Fall 2 Junior and Adult group programs (November 9 to January 24) have 325 participants enrolled to date. All programs are held indoors at Long Reach Tennis Club and Athletic Club Indoor Tennis following strict safety guidelines and protocols.

Fall/Winter (October 16 to December 13) Indoor Only League Play has 243 players playing matches safely on Fridays, Saturdays and Sundays at Long Reach Tennis Club and Athletic Club Indoor Tennis.

CA's first ever Fall (September 28 to October 31) Outdoor Only League play, held at Owen Brown Tennis Club was extremely successful with 252 players playing matches safely every evening and all day on the weekends.

Fitness Clubs and Haven on the Lake

During the month of October, Haven on the Lake had 134 virtual engagements with members and non-members via our Corporate Haunted House Call and other online class offerings.

The Personal Training Division launched a new program on November 2, called Columbia Athlete Performance Program (CAPP), which focuses on developing strength, speed and agility in middle and high school athletes, as well as preparing them for their return to sports. The program consists of two formats...*Maximum Performance* and *Accelerate*...each of which focuses on a different aspect of sports conditioning. *Maximum Performance* is offered at all three fitness clubs and *Accelerate* is offered at Columbia Gym and Supreme Sports Club.

We have also re-launched TRIBE Team Training for Season 7 in a newly offered hybrid format. A maximum of five participants are allowed in the studio during each session while we simultaneously coach virtual participants. For Season 7 we are running TRIBE sessions at Athletic Club and Columbia Gym, with Supreme Sports Club re-launching in January 2021 for Season 1.

The Supreme Sports Club public skate sessions re-opened on October 2 and have hosted more than 250 skaters. The skate team also rolled out complimentary 15 minute "learn to skate" lessons based on family feedback.



SECOND QUARTER FY 2021 FINANCIAL REPORT COMMUNITY SERVICES DEPARTMENT

The Community Services Department finished the second quarter \$611,000 ahead of budget and is projected to end the year \$179,000 behind budget. The positive variances versus Budget through the second quarter are primarily due to savings in personnel-related costs due to pay reductions, staffing and scheduling changes required because of COVID-19.

Summer Camps and the Lakefront Festival were cancelled during the summer due to the COVID-19 restrictions in place at the time. The International Exchange and Multicultural program, the Volunteer Center and the Columbia Community Exchange programs have been temporary suspended because of the impacts of COVID-19 on travel and gatherings.

The Columbia Archives, Art Center, Camps, Teen Center and School Age Services programs maintained connections to the community via virtual programming through CA@Home. Content was uploaded every 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.

Columbia Art Center was closed to the public mid-March and re-opened in October 2020 with a limited range of programs and workshops that have been well received by the community.

With only one staff member because of staffing reductions, the Columbia Archives launched its highly anticipated online database to provide web searching of the Columbia Archives collections database. Along with the launching of the online database, the name was changed for the archives to **Columbia Maryland Archives**. Adding Maryland to the name will enable our world community of researchers to have a more accurate understanding of the collection mission of the Archives as the primary repository of the rich legacy of the city of Columbia Maryland.



SECOND 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 second quarter included the following:

- Replaced three pedestrian bridges in Hickory Ridge
- Paved 700 linear feet of pathway in Owen Brown
- Replaced flooring throughout the Other Barn facility
- Remodeled kitchen at Hawthorn Center
- Replaced roof at Running Brook Neighborhood Center
- Installed four new HVAC units at the Other Barn
- Installed UV sanitizing fans at nearly all community centers
- Open space planted a total of 32 trees in the second quarter. In addition 50 trees were planted by a contractor at the Rustling Leaf bridge project.

The Department of Open Space and Facilities Services completed the second quarter \$1,754,000, or 22.1 percent, below the final Board-approved budget, and anticipates ending the fiscal year essentially on budget.



SECOND QUARTER FY 2021 FINANCIAL REPORT DEPARTMENT OF COMMUNICATIONS AND MARKETING

New Leadership and Reorganization - During August, Columbia Association welcomed two new members to the Department of Communications and Marketing -- Tim Pinel (Chief Marketing Officer) and Dannika Rynes (Senior Manager of Media and Communications).

During this quarter, the Department initiated a process of reorganization to better serve the organization. New audience channels in social media and email newsletters have been launched to provide content depth in niche interest areas across major sports and recreation areas such as golf, tennis, aquatics and fitness, as well as families/parents.

Customer and Member Service Center (CMSC) - Team members have managed a fluid situation with respect to reopening during this quarter, as individual members have sought and expected a range of outcomes associated with their member dues. CMSC staff process these inquiries professionally and consistently, despite them often including verbal attacks and the voicing of fears and frustrations about the COVID environment and its impact on facilities.

Digital Marketing - The Department has created and deployed updated ad campaigns based on targeted messaging around the experience of sports and fitness facilities as well as available incentives for annual and monthly membership. Management of campaign strategy has been brought in-house to better manage the granular performance of each campaign and better align campaign content with website design.

Advertising towards new membership acquisition has faced significant headwinds as the public remains cautious, and many existing members kept their membership in freeze status.

Communications - Responses were provided in various channels to lease concerns around the Horse Center, legal activity around the Symphony of Lights and ongoing messaging around COVID safety.



SECOND QUARTER FY 2021 FINANCIAL REPORT DEPARTMENT OF ADMINISTRATIVE SERVICES

Administrative Services finished the second quarter of fiscal year (FY) 2021 \$1,881,000, or 4.6% above budget, and \$870,000, or 2.1%, higher than the same period in 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.

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, making this period extremely challenging for a reduced workforce.

Second quarter highlights from the department include:

Accounting and Finance

The Accounting team conducted Power Plan payroll module refresher training for managers so that they could begin building their detailed payroll budgets for FY22 in the budget system. Work is currently underway on the FY22 operating budget in Power Plan. The team also put extensive hours into producing various analyses in response to multiple requests from the Board of Directors.

A cross-departmental team led by the Director of Finance has made good progress towards the transition of CA's credit card processing from Bank of America Merchant Services to Daxko Payment Services (DPS). New credit card devices were ordered and multiple transaction tests were processed in October. The first test site is the Ice Rink, which was converted to DPS early in the third quarter. The rest of the devices have been ordered and will be configured and deployed by CA IT in coordination with the other participating departments.

We transitioned a furloughed part-time team member from Camps to Accounting. By doing so, we were able to fill a vacancy created when an Accounting team member resigned with a team member who brought billing experience and Spectrum system knowledge to the table.

The entire team provided support to IT by testing proper user authorizations throughout CA for file transfer protocol (FTP) access and by testing the Lawson financial software in the new server environment.

Human Resources and Learning and Organizational Development (HR)

The HR team launched several initiatives and addressed new and ongoing challenges during the quarter:

- Updated and deployed annual ethics and compliance refresher training covering code of business conduct, discrimination and harassment, ADA, diversity and respect, data security, workplace violence prevention and reporting ethics violations.
- Promoted virtual activities for the third annual CX Day (customer experience/service) celebration including developing a video recognizing customer service “super heroes” nominated by their peers and managers.
- Attended a diversity, equity and inclusion (DE&I) virtual conference and facilitation workshop, and provided participation opportunities in the virtual conference for Senior Leadership Team members, and launched DE&I conversations with team members. Also launched an anonymous survey focused on DE&I.
- Led the organization through another reduction in force in August due to the COVID-19 pandemic, continued to oversee CA’s participation in the State of Maryland’s Workshare Program, and to help team members with unemployment benefits issues.
- Implemented IRS-regulated benefits exceptions related to the pandemic
- Converted classroom-based core compliance courses for delivery via a virtual platform and redesigned the *CA Learns* home page for easier navigation and access to course information
- Continued data clean-up from the Aquatics (primarily Outdoor Pools) Dayforce reimplementation related to multiple application fields and team leader/team member relationships
- Continued to educate and inform Dayforce power-users and prepared them for the upcoming newest release, which was implemented on November 5

Information Technology (IT)

The IT team further improved cyber security for CA by enacting mandatory encryption on external emails that may contain confidential information through Virtru External Gateway. In addition, the team expanded its use of KnowBe4, the application used for cyber security training and testing, to improve reporting of results for follow-up.

The team continued the work on the Lawson/Infor server migration project, including rolling out FTP clients for the new file transfer/sharing requirements. The overall project is behind schedule, due in part to challenges with the third-party document imaging application, but is expected to be completed by mid-December.

The team switched the Owen Brown Tennis Club to the Howard County Inter-County Broadband Network (ICBN) from the legacy provider and upgraded Wi-Fi at the Art Center and Teen Center. Additional work performed to support remote working include

the creation of a proof of concept for virtual desktop infrastructure deployments within our virtual networks and initial development of a second iteration of account automation that will include credentialing users without the need to contact IT using Virtru automated encryption.

Purchasing

The Purchasing Division completed the procurement process (interrupted by the onset of the COVID-19 pandemic) for a new operator for the Columbia Horse Center, with the contract signed and a transition plan in place well before the December 31, 2020 exit of the current operator. The Division led the Board of Directors through the request for proposal process for a search firm for a new President/CEO. The search process is underway and on track for completion in March 2021.

The Purchasing team provided support to IT by testing the Lawson procurement module and related transactions in the new server environment.

The Purchasing team also led the project to facilitate paperless document approvals, working with the IT and Accounts Payable teams. The low-cost solution, using Adobe Pro for document production and Adobe Sign for approvals, has been implemented for contracts and procurement card logs; other uses are in the pipeline. This application has significantly improved our remote work efficiencies.



SECOND 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 second quarter included heavy involvement in our New Town Visioning Work Sessions, a six-month long facilitation effort to help the Board and Villages imagine Columbia in the coming decades. Ongoing coordination with consultants and background work was required in addition to our monthly virtual work sessions.

As Village buildings reopened in a modified state after the initial COVID shutdown, repairs and maintenance work that had been delayed during the shutdown became necessary a bit earlier than expected in the fiscal year. Variances resulted, but the hope is that controlled spending in the second half of the fiscal year will help us stay close to our reduced budget.

Howard County's HoCo By Design General Plan rewrite is underway, with community participation opportunities. OPCA is represented on the Planning Advisory Committee (PAC) which had its inaugural meeting in the second quarter. This effort will escalate toward the end of calendar year 2020 and into the first half of 2021.