



18 March 2021

Dear Chairman Stack and Other Board Members:

I am pleased to present you with the organization's Financial Report for the 3rd Quarter of Fiscal Year ("FY") 2021, covering the nine months from 1 May 2020 to 31 January 2021.

We finished the first three quarters of the year \$7.7 million better than budget and \$3.5 million above the same period in FY 2020. Three quarters into the most challenging fiscal year in recent history of CA, we continue to conduct the business of CA in unprecedented, uncertain and challenging times. Yet, with a fiscal discipline that I know would be the envy of many organizations, we project finishing FY 2021 with a projected increase in net assets of nearly \$2.1 million. Financial highlights are included in the 3rd Quarter 2021 Financial Report.

Additionally, as part of their quarterly report, each department director has provided further explanation of their 3rd 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. THIRD 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 nine months of FY21 approximately \$7.7 million over the budgeted increase in net assets. Total income of \$54.6 million was \$4 million or 8% above budget for the period and about \$12.4 million, or 18.5%, below the same period in FY20. Total operating expenses of \$36.9 million were 9.1% below budget and \$15.9 million, or 30.2%, lower than the first nine months of last year. CA anticipates ending FY21 above budget with an increase in net assets of approximately \$2.1 million.

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

Key income variances as compared to budget are:

- Annual Charge revenue is 6.3% above budget for the period and is projected to approximately \$3.4 million above budget for the year, primarily as a result of commercial abatements being less than anticipated during this year. In addition, special tax credits and collection relief measures in public discussion at the time the budget was being produced have not developed for FY21. The FY 21 Annual Charge revenue budget included \$4 million of revenue adjustments, primarily for anticipated abatements for commercial properties, as a result of reduced valuations and other possible reductions caused by COVID-19. Based on projections from Howard County government and recent communication from the State Department of Assessments and Taxation (SDAT), we believe that CA is over-reserved for abatements for FY21. SDAT staff indicated that the department has received more commercial valuation appeals to date than usual, describing the volume as heavy. However, they do not yet know the impact, given that processing begins in earnest in March. Approved appeals will apply to the assessed valuations for the July 2021 billing, which drives the **FY 2022 annual charge income** for CA. These abatement requests would only be applied retroactively if it is determined that the assessor made an error in assessing the property. SDAT's goal, as stated to us, is to get as many of the appeals reviewed as possible before the creation of the July 2021 billing file, which again, would impact CA's FY22 annual charge income.
- **Tuition and Enrollment** is projected to be almost \$2.2 million below budget for the year, due to the impact on the School Age Services program of distance and hybrid learning in Howard County Public Schools.
- **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 \$686,000, and is projected to be above budget by \$678,000 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 \$360,000, or 5.8%, above budget for the period, due to the earlier-than-budgeted June 2020 reopening. Total membership income is projected to be about \$1,006,000 below budget for the year, with a projected negative variance of 10.3%, based on capacity restrictions lasting longer than expected and the return of members being slower than anticipated when the budget was developed.
- **The Gain (Loss) on Fixed Asset Disposals** is \$260,000 better than budget due primarily to vehicle trade-in values and the timing of asset disposals. The variance is expected to be a negative \$488,000 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.
- **Other Income** is projected to be \$2.8 million over budget for the fiscal year, due to the anticipated write-off of undepreciated Haven on the Lake assets that will be taken out of service when the facility closes in April 2021.

Income Variances – Year to Year

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

- The **Annual Charge** revenue variance of approximately \$1.4 million (3.4%) is due to increases in assessed valuations mainly for residential properties, transfer activity and additional billing from new construction and improvements.
- **Tuition and Enrollment** is over \$3.1 million or 97% below the period in FY20 due 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 into March 2021, which shut down CA's School Age Services program. 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 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 \$1.5 million or about 9.6% below budget for the period, and are expected to be below budget by \$1.8 million, or 8.1%, for the fiscal 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. Approximately \$685,000 of the \$1.8 million projected year-end variance is attributable to the School Age Services program alone, reflecting the impact on the program of distance learning for most of the school year.
- **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 into March 2021 will keep CA-wide Operating Supplies/Expenses under budget for the year. The variance is projected to be slightly lower for the year, as spending intentionally delayed in response to revenue concerns returns to closer to budgeted levels in other areas of the organization.

- **Technology Supplies/Expenses** are \$456,000 or 32.7% below budget for the period due primarily to the timing of the data center move and implementation of multifactor authentication scheduled for the fourth quarter and the timing of other tech expenses. We anticipate that Technology Supplies/Expenses will be about \$100,000 below budget for the year, which was not adjusted in the estimate in time for printing.
- **Fees** are \$652,000, or 22.3% 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 nine months of the year. We expect Fees Expense to be approximately \$340,000 (8.8%) under budget for the year, of which \$289,000 is due to a shift by the new Chief Marketing Officer from outside marketing and advertising services toward a more in-house model.
- **Community Association Annual Charge Share** is projected to be \$298,000 over budget for the fiscal year, mainly due to a \$250,000 estimated increase based on CA staff's expectation that the CA Board will authorize an increase in the FY21 Annual Charge Share in proportion to CA's adjustment of the annual charge revenue projection for the year.
- **Interest** expense is under budget for the period by \$314,000, or 26.1%, and is projected to be \$396,000 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 in most expense categories between the first three quarters 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. Other expense variances are:

- **Community Association Annual Charge Share** is \$696,000 greater than the same period in FY20, due to the timing of payments to the village community associations.
- **Depreciation** is \$455,000 higher than the same period in FY20 primarily as a result of the renovations at Supreme Sports Club in FY20 and capital improvements in village community association buildings.

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



THIRD QUARTER FY 2021 FINANCIAL REPORT DEPARTMENT OF SPORT AND FITNESS

The Department of Sport and Fitness completed the third quarter of FY21 \$3,166,000 (31%) better than budget and \$1,969,000 (38.9%) behind the third quarter of FY20. Greater than expected membership, fee and rental income resulting from earlier than anticipated re-openings and lower than anticipated payroll and fees expenses offset higher than expected repair and maintenance expense also associated with the earlier re-openings. While we will continue to see higher than budget fee and rental income and lower than expected payroll and fees expenses, a decrease in membership income and the write-off of undepreciated Haven on the Lake assets that will be taken out of service when the facility closes will see the department finishing the year \$579,000 (4.6%) behind budget.

Department Highlights for the Third Quarter of FY21 Include:

Fitness

The fitness clubs' KidzEscape and Adventure Day programs served 73 participants in the third quarter. With the KidzEscape program, parents were able to enroll their children in a physically distanced, safe play environment following CDC safety guidelines for two programs a week. Adventure Day provided families with a day camp option when schools and School Age Service programs are closed.

Supreme Sports Club Roller Skating continued to grow with more than 150 individuals enjoying public roller skate sessions in the quarter.

Group Fitness, along with the Department of Communications and Marketing, launched a new Group Fitness at Home Facebook page. In just the first two days, 163 active and frozen members signed up. (<https://www.facebook.com/groups/cagroupfitnessathome>).

Golf

Golf continues to experience growth in rounds at both clubs. Despite not reopening until May 13, 2020, Hobbit's Glen is up 2,000 rounds year to date and Fairway Hills is up by 3,000 rounds.

Tennis

Generally closed after October, in response to on community feedback, the Owen Brown Tennis Club outdoor tennis and pickleball courts continue to remain open for member use and have seen usage by our more hardy members.

Our inaugural Holiday Tennis Academy for juniors and adults (December 24, 2020 - January 1, 2021) was a huge success with 123 participants over the seven days.

Private and semi-private Lessons with CA coaches continue to surge (highest in the past five years). The team delivered 755 lessons between December 1, 2020 and February 28, 2021.

The 2021 USTA League season began on January 2, 2021 with tremendous excitement with addition of the Mixed 18 & Over. The league has 353 players competing weekly following all safety protocols on Fridays, Saturdays and Sundays at Long Reach Tennis Club and Athletic Club Tennis.

Aquatics

Swim lessons continued in popularity between the Columbia Swim Center and the Columbia Gym pools. We have served 461 participants between both locations since lessons restarted in September.

Ice Rink

Public skate continued to be a popular activity in January with 95% attendance capacity. In lieu of hockey games due to Howard County restrictions, six public skate sessions were added during the week for CA members and the community to enjoy.

New registration dates for the Learn to Skate and Instructional Hockey programs were created for Sessions 3 and 4. There has been great interest from new customers in the upcoming sessions. Our January session was at 97% capacity based on what was allowed by Howard County's on-ice restrictions.

By quarter's end, Public Session numbers for weekends and Wednesday were at 100% capacity even with the increased capacity restrictions. To meet demand, the Ice Rink added a weekday afternoon of Learn to Skate lessons and increased our available lessons on Saturdays by one-third.



THIRD QUARTER FY 2021 FINANCIAL REPORT DEPARTMENT OF COMMUNITY SERVICES

The Department of Community Services finished the third quarter \$368,000 better than budget and is projected to end the year \$153,000 behind budget. The positive variances versus Budget through the third quarter are primarily due to savings in personnel costs due to pay reductions, staffing and scheduling changes required because of COVID-19.

The decreases in Tuition and Enrollment Income and Fees Income for all three comparisons are due to cancellation of the Before and After School Care program in the schools for two months in FY20 and for five months in FY21 because of COVID-19. A smaller full-day childcare program was implemented starting in the fall of FY21 to assist working parents with childcare needs. With the recent decision of the Howard County Public Schools System to begin hybrid learning in March 2021, the Before and After Care program is working with the schools to bring back the program, depending on the space available in the schools.

The positive variances in Other Income for School Age Services in all three categories are due to the receipt of a grant in the fall of 2020 from the Maryland State Department of Education to open child care centers during the COVID-19 pandemic and to assist with the cost of personal protective equipment (PPE) for child care workers. Also, School Age Services received a HOCO RISE childcare grant. The funds will be used to reimburse costs for business interruption due to the required closure of our programs, as a result of the COVID-19 pandemic. The costs include a loss of revenue due to a reduction in enrollment, program maintenance and reopening, additional PPE, and increased expenses incurred for cleaning and related services.

The decreases in Fees and Temporary Funding and Grants Expenses as compared to last year are due to the elimination of most grants in the FY21 budget required by the financial impact 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 and the Volunteer Center and the Columbia Community Exchange programs have been temporarily suspended because of the impacts of COVID-19 on travel and gatherings.

Columbia Maryland 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 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 in March (due to the mandated closures) and reopened in October 2020 with a limited range of programs and workshops that have been very well received by the community.



THIRD 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. The 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 third quarter included the following:

- Replaced roofs at Fairway Hills Clubhouse and Maintenance Facility
- Replaced the Americans with Disabilities Act (ADA) entrance ramp at Oakland Manor
- Replaced one pedestrian bridge in River Hill
- Replaced two pedestrian bridges in Oakland Ridge Industrial Park
- Replaced one pedestrian bridge in Long Reach
- Paved 1,100 linear feet of pathway in Oakland Mills
- Completed Lake Elkhorn Dredging in areas 1 and 2
- Installed four new heating, ventilation and air conditioning (HVAC) units at the Other Barn
- Installed four new HVAC units at the Teen Center
- Installed a new HVAC unit at Supreme Sports Club
- Completed a large ash tree removal project in the Kendall Ridge area of Long Reach
- Replaced tot lot mulch at Phelps Luck, Besthold Garth and Grey Rock
- Continued tot lot mulch replenishments Columbia-wide

The Department of Open Space and Facilities Services completed the third quarter \$2,430,000, or 20.2%, below the final FY21 Board-approved budget, and current projections indicate ending the fiscal year \$728,000 or 4.5% under budget.



THIRD QUARTER FY 2021 FINANCIAL REPORT DEPARTMENT OF COMMUNICATIONS AND MARKETING

Communications – The Department presented a comprehensive Communications Strategy during the quarter that describes the day-to-day processes and initiatives that will guide engagement with the community across a variety of channels. The strategy provides an organizational structure to message campaigns and the coverage of local activities, as well as protocols for managing special campaigns and public relations (PR) responses.

A Virtual Town Hall was held in late January to provide a forum for community questions to be addressed by CA’s senior leadership, with several hundred audience members (live and through the recorded stream made available) viewing the event.

Message highlights during the quarter included continued coverage of the significant COVID safety protocols in place at all facilities and an information campaign presenting the organization’s budget and budget process.

CA Reopens content was rebranded on website and related sources to better reflect the evolving messages we need to share surrounding COVID-19, emphasizing the “CA Commitment” to our stakeholders when it comes to safety measures, sanitation practices and updated policies.

Customer and Member Service Center (CMSC) - Membership freezes and cancellations continued to be a significant challenge. There remained hesitation among the community to return to in-person programming at our facilities and recommit to a membership, and CMSC team members extended membership freezes for more than 2,000 members to at least May 2021. Additionally, relevant frozen members had their memberships adjusted to allow them to use guest passes without returning to full membership as a way to test and experience facility safety in person.

Digital Marketing – The Department deployed advertising and marketing campaigns during the quarter to attract new member prospects, with a particular focus on fitness membership, with themes of safety and in-facility experience.

Significant digital infrastructure improvements were made during the quarter at the analytics level of CA’s website and associated ad platforms to enable effective tracking and optimization of marketing campaigns. This “under-the-hood” work provides a basis for substantial growth in marketing effectiveness in the future.

The Communications and Marketing team drastically reformatted its regularly-scheduled newsletters to prominently focus on blog content with improved design features. CA sends CA Fit, CA Swim, CA Tennis, CA Golf, Haven, CA Parents’ Corner and CA Digest on a weekly, biweekly or monthly basis, and feedback from all audience groups has been very positive anecdotally as well as quantitatively in performance metrics (open rate, click through rate, etc.)



THIRD QUARTER FY 2021 FINANCIAL REPORT DEPARTMENT OF ADMINISTRATIVE SERVICES

Administrative Services finished the third quarter of fiscal year (FY) 2021 \$2.4 million, or 6.0% above budget, and \$639,000, or 1.5%, higher than the same period in FY20. The variances are primarily 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.

Third quarter highlights from the department include:

Accounting and Finance

The Accounting team worked tirelessly in leading the organization through the development of the draft FY 2022 budget and the production of the document, which was provided to the Board and community on January 8, 2021, per the Board-approved schedule. The team also compiled a great deal of follow-up information requested by Board members and other stakeholders, supporting the Board through their deliberation and ultimately to their votes to approve the FY 2022 budget in late February.

A cross-departmental team led by the Director of Finance completed the transition of CA's credit card processing from Bank of America Merchant Services to Daxko Payment Services (DPS).

The Payroll team, in conjunction with HR, enabled access to 2020 Wage and Tax Statements (Form W-2) for team members who chose to receive their W-2 electronically on January 8, 2021; which may be the earliest access CA team members have ever had to these forms.

Human Resources and Learning and Organizational Development (HR)

The Human Resources ("HR") team has been very active with multiple initiatives in addition to their daily support of CA managers and team members. Some of these initiatives are:

- Collaborated with the Communications and Marketing team on the Virtual All Team Meeting held on January 5 to engage with team members, share updates from each department and familiarize the workforce with the Draft FY 2022 budget.
- Developed and facilitated "Years of Service Awards Week" (January 11-15, 2021) to recognize CA team members for their milestone years of service
- Continued to engage team members on diversity, equity and inclusion ("DE&I") by soliciting team members' feedback on action items they envision for CA per the results of our DE&I Survey.
- Recruited and selected team members to serve on CA's first DE&I committee.
- Developed and deployed a monthly virtual meeting titled "Plug-In." Team members across the organization join to discuss a monthly topic focused on a training and development course.

- Facilitated and communicated the opportunity for virtual, one-on-one sessions with CA's 401(k) advisor for plan participants at their convenience.
- Provided ongoing support for the CA Board in the search process for the new President/CEO.

Information Technology (IT)

Information Technology ("IT") led the organization in completing the server migration project for Infor/Lawson, CA's accounting and financial system, in early December.

Immediately on the heels of that project, the IT team successfully transitioned our data center from Glen Allen, VA, a third-party site that the vendor was shutting down, to Howard County's data center in mid-December. CA is up and running in the county's data center and in the process of closing out all operations in Glen Allen. The next phase of this project is to replace end-of-life storage devices and then to contract for and implement expanded security monitoring.

CA IT completed the deployment of the new credit card payment processing devices CA-wide in February.

Purchasing

In addition to their day-to-day work supporting all aspects of CA operations, the Purchasing Division facilitated the successful transition of the Columbia Horse Center, to the new operators effective January 1, 2021.

The team continues to support the President/CEO search from a contractual perspective.