



September 14, 2021

Dear Members of the Columbia Association Board of Directors:

I am pleased to present you with the organization's Financial Report for the first quarter of Fiscal Year ("FY") 2022, covering the three months from May 1, 2021 to July 31, 2021.

We completed the first quarter \$3.5 million above budget and \$228,000 below the same period in FY 2021. The three pillars of CA's financial success in FY 2021 continue to provide strong and reliable financial results early in FY 2022:

- Resource stewardship – the very difficult decision to close Haven on the Lake as of April 30, 2021 and sublease the space contributed significantly to the favorable results projected for FY 2022.
- Community stability – the July 2021 annual charge billing was higher than budgeted as Columbia residential property values continue to exceed expectations and commercial property abatements have been slower to materialize than anticipated.
- Community activation – our community is engaging in CA activities, wellness opportunities, etc. at levels beyond our initial expectations.

Additional financial insights are included in the 1st Quarter FY 2022 Financial Report; and, as part of their reports, the department directors have provided further explanation of their first quarter results, including noteworthy variances.

As we were preparing to issue this report, President Biden announced his six-pronged comprehensive national strategy to combat COVID-19. Clearly, this pandemic is far from over. While there are encouraging signs of hope, it is still so important to remember that we continue to conduct the business of CA in unprecedented, uncertain and challenging times. For example, while vacant staff positions have contributed to our expense savings for the period, staff recruiting challenges (shared by other employers regionally and beyond) present a significant operational challenge, and we see no relief on the horizon.

We appreciate your leadership in all of CA's efforts especially during this extended season of unparalleled disruption and challenge for each of us. We remain committed to serving the Columbia community and stewarding CA forward responsibly.

Lakey K. Boyd
President/CEO
Columbia Association, Inc.



COLUMBIA ASSOCIATION, INC. FIRST QUARTER FY 2022 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 Ms. Boyd noted in her letter, Columbia Association (“CA”) completed the first quarter of FY22 approximately \$3.5 million, or 10.8%, over the budgeted increase in net assets. Total income of \$50.7 million was \$1.8 million or 3.7% above budget for the quarter and about \$4.5 million, or 9.7%, above the same period in FY21. Total operating expenses of \$15.5 million were 7.1% below budget and almost \$5.2 million, or 51.12%, higher than the first quarter of last year. Although it is early in the year for these projections, CA anticipates ending FY22 above budget with an increase in net assets of approximately \$4.2 million.

It should be noted that approximately \$1.5 million of the projected year-end favorable variance is due to the May 2021 execution of a sublease for the rental of the space formerly occupied by Haven on the Lake and the accounting for the closure of that facility, which was finalized after the FY22 budget was approved.

Haven on the Lake ceased operations as of April 30, 2021. The sublease income for the term of the sublease agreement was netted against the rental expense and other anticipated operating expenses for the remainder of the primary lease, which expires August 31, 2025. That net amount was accrued as a liability as of April 30, 2021 on the statement of financial position.

Income and expenses for the former Haven facility will continue to be recorded in the quarterly financial reports. However, there will be an entry on the Non-Operating Exp./Contingencies line to offset the net loss for each period, because the net loss will be charged against and reduce the liability described above.

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

Key income variances as compared to budget and the year-end estimate are:

- **Annual Charge** revenue is above budget for the quarter by 3.7%, due primarily to increased property valuations and transfer activity, and lower than expected abatements. When the FY22 budget was prepared, we anticipated more abatements being processed by the State Department of Assessments and Taxation prior to the July 2021 billing than occurred, based on communication with that department. At this time, we are projecting annual charge revenue to exceed budget for the year by a smaller amount, due to a lower amount of tax credits and abatement requests that are still anticipated to be processed during the year.

- **Tuition and Enrollment** is projected to be \$291,000 below budget for the year, due to the impact on the School Age Services program of hybrid learning in Howard County Public Schools during the spring semester of the 2021 school year.
- **Fees Income** is better than budget for the quarter by \$419,000 and is projected to be above budget by \$441,000 for the year, due to greater than expected play at both golf clubs and the tennis facilities and increased participation in the Learn to Skate program at the Ice Rink.
- **Rental Income** is essentially on budget for the quarter, and is projected to be above budget by \$406,000 for the year, due primarily the sublease income for the former Haven on the Lake property, increased play at both golf clubs (cart rentals) and anticipated sublease income for a portion of the headquarters office space.
- **The total of Direct and Allocated Membership Income** is essentially on budget for the quarter. At this point early in the fiscal year, total membership income is projected to be about \$830,000 above budget for the year, with a projected favorable variance of 7.3%, based on the very strong return of members through August.

Income Variances – Year to Year

Key income variances as compared to the first quarter of FY21 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.
- **Fees Income** is nearly \$1.5 million, or 194.8% higher than the first quarter of FY21 is due to the COVID-19 closures and phased re-openings in FY21, increased play at both golf clubs, and increased participation in fee-based programs at the fitness clubs, the Ice Rink and tennis facilities.
- **Direct and Allocated Membership Income** combined are \$1.3 million, or 85.7%, significantly higher than the same period last year, due to an increase in membership sales after the FY21 COVID-19 closures and restrictions were lifted and as community members became more comfortable returning to our facilities.

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

Key expense variances as compared to budget and the year-end estimate are as follows:

- **Personnel costs** (the sum of salaries, wages, annual performance incentives, contract labor, payroll taxes and employee benefits) are \$517,000 or 7% below budget for the quarter, due to vacancies in a number of positions, as well as the impact of hybrid learning on the School Age Services program from March 2021 through the end of the 2021 school year and lower than anticipated camps participation. Recruitment efforts are underway to fill most of the vacant positions.
- **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 \$175,000, or 18.2% above 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.
- **Repairs and Maintenance expenses** are under budget by \$203,000 for the quarter, but are anticipated to be only slightly under budget for the year, due to
- **Depreciation** is under budget by \$225,000 for the quarter, and is anticipated to be \$928,000, or 7%, under budget for the year, primarily due to projects closing later than

anticipated, intentionally reduced spending in FY21 and no further depreciation expense to be recognized for Haven on the Lake after its April 30, 2021 closure.

Expense Variances – Year to Year

Key expense variances as compared to the prior year are as follows:

- **Personnel costs** (the sum of salaries, wages, annual performance incentives, contract labor, payroll taxes and employee benefits) are just over \$3.5 million, more than double the amount in the first quarter of FY21, due to the COVID-19 closures and phased re-openings in FY21, increased participation in our programs and services, the opening of 16 outdoor pools in FY22, and the return to full pay and standard hours for staff.
- **Operating Supplies/Expenses and Repairs and Maintenance** are significantly greater than the same period last year, due to the COVID-19 closures and phased re-openings in FY21, increased participation in our programs and services, and the opening of 16 outdoor pools in FY22.
- **Fees** are \$558,000, or 96.2% above the first quarter of FY21, due to the COVID-19 closures and phased re-openings in FY21 and increased participation in our programs and services, increased legal fees for certain matters and temporary legal services required by the vacancy in the general counsel's position. Interim outsourced IT leadership and other services due to the vacancy in the Director of IT position also contributed to this variance.

For further explanation of individual variances throughout the organization, please refer to the FY22 First Quarter Financial Report and the reports from the department directors.



FIRST QUARTER FY 2022 FINANCIAL REPORT SPORT AND FITNESS DEPARTMENT

The Sport and Fitness Department completed the first quarter of FY22 \$1.4 million (37.6%) better than budget and exactly even with the first quarter of FY21. Increases in Fees Income combined with savings in Personnel Expenses, Operating Supplies/Expenses, Repairs and Maintenance and Depreciation combined to create the positive variance. The accounting for the closure of Haven on the Lake also contributed to the positive variance. We expect these items to continue, but at a slightly diminished rate to finish the year \$3.3 million (26.7%) ahead of budget.

Department Highlights for the First Quarter of FY22 include:

COMMUNITY

- The community yoga events at the Chrysalis with the Inner Arbor Trust drew 31 attendees in June and 42 in July.
- Friday night Dancing under the People Tree returned in June and continued throughout the summer.
- CA hosted two COVID-19 vaccination clinics on June 17 in collaboration with Howard County Health Department – one at Swansfield pool and one at the Columbia Ice Rink, each of which served over 20 members of the community.

Aquatics

Fifteen pools opened for the rainy Memorial Day weekend with a total of 1,732 visits. Improved weather the next weekend brought over 6,800 visitors. Attendance grew to over 58,000 for the month of June and continued to increase to 71,000+ in July. A sixteenth pool was opened on July 19th, which experienced attendance of 476 in the remaining 12 days of July. CNSL, camps and rentals increase attendance through July adding about 99,000 visits in that period, for total visits of 242,541 for the first quarter.

Golf Courses

New faces, new places at Hobbit's Glen and Fairway Hills. Welcome to Rodney Green as he joins us in the role of General Manager of Golf for Hobbit's Glen and Fairway Hills. An original Columbia youth, Rodney played at Hobbit's and has his name on the champions board. Jumping on board in May, Rodney can be found at Hobbit's Glen.

Congratulations to LPGA/PGA Head Professional, Joan Lovelace, on her new role as Golf Head Professional/Player Development Coordinator. Joan broadens her influence in the development of Columbia's golf talent and participation. Focusing her talents on improving players' skill, enjoyment of golf and de-mystifying the game is her passion.

Ice Rink

Columbia Ice Rink hosted the Big Bear Cherry Blossom Ice Hockey tournament in late May, before closing for the summer season on June 5. The Columbia Clippers youth hockey team participated as one of the 36 teams that visited the rink. The Squirt B Clippers team won their championship final.

In lieu of their annual Spring Skating Show, the Columbia Figure Skating Club held two skating recitals. The first, on May 29th, featured over 100 skaters performing group routines. The June 5th recital featured individual performances from the club's skaters and a grand finale. Parents of skaters were very happy that the skaters' hard work could be highlighted in such a trying season.

Learn to Skate and Instructional Hockey concluded their final sessions of the season with over 150 participants. This level of participation matches pre-COVID registration numbers.

Membership

Between May 1 and June 30, we saw the return of 2,320 memberships across all membership types. We sold 855 in May, 1,521 in June, and 740 in July for 3,116 total for the quarter! A little more than 900 was our previous one-month record.

Tennis

The Maryland High School State Tennis Championships were held at Wilde Lake Tennis Club June 18th & 19th with over 500 participants attending.



FIRST QUARTER FY 2022 FINANCIAL REPORT COMMUNITY SERVICES DEPARTMENT

The Community Services Department finished the first quarter of FY22 \$17,000 behind budget and \$73,000 behind the same period last year.

With the decision of the Howard County Public Schools System to begin hybrid learning in March 2021, the School Age Services team worked with the schools to bring back the program at three sites, along with offering a simultaneous full day program. The team is planning for Before and After Care to resume its normal 20 sites when schools open on August 30, 2021.

Camps operated two programs out of the Art and Teen Centers in FY22.

The crowds returned to the Lakefront for a shortened schedule of movies, music and dancing this summer!

The Multicultural Program restarted in July with meetings of the Advisory Committee and the international book club. Planning is underway for upcoming events in September and October.



FIRST QUARTER FY 2022 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, Real Estate Services, Capital Improvements and Watershed Management and Improvements.

The Department of Open Space and Facilities Services completed the first quarter \$369,000, or 8.9%, below budget, and current projections indicate ending the fiscal year \$284,000, or 1.6% under budget.

Noteworthy accomplishments during the first quarter included the following:

- April Brook Circle and Red Branch Road bridge replacement and associated work
- Tot lot repairs and refurbishment at Fairmead Lane, Stonecutter Road, Distant Thunder and Bird Race
- Art Center lower level finishes upgrades
- Columbia Gym Pilates studio conversion
- Pool improvements in support of outdoor pool openings
- Hobbit's Glen Har-Tru tennis courts completion and open for play
- Participated in the Symphony Woods planning and zoning appeal
- Completed shutdown work at Swim Center, Ice Rink and Indoor Pools
- Initiated a climate vulnerability assessment
- New LED lighting at the Columbia Athletic Club tennis arena and SportsPark
- Installed an electric vehicle charging station at the Maintenance Facility
- installed HVAC units at the Columbia Gym and Fairway Hills Golf
- Invasive bamboo removal at Angelina Circle
- Columbia lakes weed harvesting
- New bridge signage program implemented and installed
- Independence Day preparations
- Landscape Services planted annual flowers throughout Columbia
- Hesperus and Eliots Oak supplemental tree planting
- Weed Warrior volunteers activated for the season



FIRST QUARTER FY 2022 FINANCIAL REPORT DEPARTMENT OF ADMINISTRATIVE SERVICES

Administrative Services finished the first quarter of fiscal year (FY) 2022 \$1.8 million, or 4.2% above budget, and \$1.5 million, or 3.6%, higher than FY21. The variances are primarily due to the increase in annual charge revenue, due primarily to assessed valuation increases, phase-in values from transfers and additional billing for improvements. At this point, early in the fiscal year, we anticipate ending FY22 with a favorable variance of \$769,000, or 1.9%.

First quarter highlights from the department include:

Accounting and Finance

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.

The annual charge team received and analyzed the annual assessed valuation file from Howard County, and used it to prepare the FY22 annual charge bills for more than 27,000 parcels and a total bill amount of \$45.8 million. The team responded to thousands of calls and emails, and began processing refunds and credits, while continuing to navigate the impact of COVID-19 on customers and team members.

In our ongoing efforts to make essential processes more streamlined, the team launched electronic payment processing for vendors that provide their banking information to CA, following a comprehensive set-up and testing process in conjunction with Purchasing and IT. The goal is to convert as many vendors as possible to electronic payment (versus paper checks).

Human Resources and Learning and Organizational Development (HR)

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

- Supported the financial statement and 401(k) audits by providing key documentation.
- Published the one-year anniversary edition of the Learning Curve newsletter for CA team members.
- Provided significant support for the search processes for a new director of IT and a new general counsel.

- Continued to lead and support CA's diversity, equity and inclusion ("DE&I") committees, in their work on various aspects of CA's operations and practices.
- Assisted with the recruiting efforts required to open 16 outdoor pools with significant challenges in finding enough candidates to fill all of the lifeguard and pool manager positions needed to properly staff the pools.
- Tracked continuously changing state and local COVID-19 restrictions as they evolved, to address impacts on CA team members.

Information Technology (IT)

Information Technology ("IT") successfully completed the Lawson/Infor migration and upgrade, a significant project requiring participation of nearly all CA IT team members, with testing requirements addressed by CA users throughout the organization.

CA IT also implemented enterprise single sign-on (SSO) for Google, PowerPlan and Dayforce, with no downtime to the organization, in preparation for CA-wide deployment of multi-factor authentication.

CA's Chief Information Officer resigned effective June 18, after a period of extended leave that began in late March 2021. The team continued to operate successfully under outside interim IT leadership -- supporting the organization, completing important projects and making further progress on the new project delivery process and updated incident response protocol.

Purchasing

CA's Director of Purchasing has been engaged in training the two new members of the three-person Purchasing team, both of whom began their new roles this summer. At the same time, the Purchasing team provided supporting documentation and information for the FY21 financial statement audit, as well as contractual support for the engagement.

The team also prepared a comprehensive Minority Business Enterprise (MBE) vendor analysis and program update, which the Director presented to the CA Board at their July 8 work session.

The Purchasing team continues to work with CA purchasers to attempt to overcome supply chain issues of shortages, back orders and long lead times for a variety of products and materials.