



September 16, 2022

Dear Members of the Columbia Association Board of Directors:

We present you with the organization's Financial Report for the first quarter of Fiscal Year ("FY") 2023, covering the three months from May 1, 2022 to July 31, 2022. I am pleased to report that we completed the first quarter approximately \$2 million above budget and \$775,000 above the same period in FY 2022.

You may recall that the variances reported for this quarter are not as large as those reported in the first quarter of FY 2022. A great deal has changed since the FY 2023 budget was being finalized and then approved by the Board in February 2022. The omicron variant created another surge in COVID-19 cases globally and locally, and new variants continue to emerge. Russia invaded Ukraine, and war continues to impact lives there and supplies here. Inflation has skyrocketed to 40-year highs. These and other uncertainties continue to challenge leaders at all levels of government and other organizations, and CA is no exception to these realities.

The impacts of these and other economic realities have not been fully realized in the first quarter of FY 2023, making the forecast for the entire fiscal year particularly challenging at this time. At this point, the close of the first quarter, we are cautiously optimistic for the FY 2023 operating results. However, we have to acknowledge the challenges to our cash position, which we are managing in large part because of the expense control "muscle" built by our staff over the course of the pandemic. This close level of expense management is a lean way to operate CA long-term while also working to adapt to changing community needs and market demands. And, like others, we continue to struggle with staffing, supply chain delays and price increases for goods and services.

We appreciate your role in CA's efforts 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 2023 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 FY23 approximately \$2 million, or 6%, over the budgeted increase in net assets. Total income of \$54 million was \$1.2 million or 2% above budget for the quarter and about \$3.4 million, or 7%, above the same period in FY22. Total operating expenses of \$17.8 million were 4% below budget and almost \$2.4 million, or 15%, higher than the first quarter of last year.

Although it is early in the year for these projections, CA anticipates ending FY23 above budget with an increase in net assets of approximately \$6.2 million. However, it should be noted that the cash projected to be generated in FY23 is only approximately \$525,000, due to non-cash savings in depreciation and losses on fixed asset disposals and faster than anticipated capital projects spending resulting in an additional \$1 million in cash used for capital projects during the year. (See page 11 of the report.) While the cash outflow on capital projects has picked up this year, the *completion* of projects is slower than the estimated dates factored into the FY23 budget.

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 on budget for the quarter and is projected to be approximately 3% above budget for the fiscal year, due to fewer approved abatement requests than originally anticipated during the FY23 budget process last fall.
- **Tuition and Enrollment** is \$150,000 above budget for the quarter and is projected to be \$163,000 above budget for the year, due to greater than anticipated participation in both Camps and the School Age Services program and our ability to staff both programs to serve a larger number of participants.
- **Fees Income** is better than budget for the quarter by \$160,000 and is projected to be above budget by \$230,000 for the year, due to greater than expected usage at both golf clubs, the tennis facilities and the Ice Rink.
- **Rental Income** is \$278,000 above budget for the quarter, and is projected to be above budget by \$877,000 for the year, due primarily to the sublease income for the former Haven on the Lake property and increased play at both golf clubs (cart rentals).
- **Other Income** is \$122,000 above budget for the quarter and is projected to be \$425,000 above budget for the fiscal year. The variance for the quarter is due to a grant received by the Youth and Teen Center and higher than budgeted investment income, as a result of recent increases in interest rates, which is also driving the year-end projection. In

addition, the School Age Services program received a Child Care Stabilization Grant from the Maryland State Department of Education in the second quarter.

- **The total of Direct and Allocated Membership Income** is above budget for the quarter by \$81,000, or 2%, and is projected to be on budget for the year, based on memberships through August.

Income Variances – Year to Year

Key income variances as compared to the first quarter of FY22 are:

- The **Annual Charge** revenue variance of approximately \$1.4 million (3%) is due to increases in assessed valuations for both residential and commercial properties, transfer activity, and additional billing from improvements.
- **Tuition and Enrollment** income is \$352,000 greater than the first quarter of FY22, primarily as a result of increased participation in Camps and School Age Services due to the lifting of COVID space restrictions and CA's ability to staff for that increased participation.
- The **Rental Income** variance of \$340,000 is due to a combination of factors that include more camps, rentals and birthday parties at the outdoor pools (more pools open and COVID restrictions lifted); the Haven sublease; and, increased play at the golf clubs.
- **Other Income** is \$147,000 higher than the same period in FY22, due mainly to the Youth and Teen Center grant and better than budgeted investment income.
- **Direct and Allocated Membership Income** combined are approximately \$1 million, or 37%, higher than the same period last year, due mainly to continued membership sales 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:

- **Fees** are \$280,000 below budget for the quarter; however, we anticipate the variance to shift to \$264,000 over budget for the year, due to consulting needs for some technology initiatives, legal matters, unbudgeted audit and Board activities, and the timing of tree and landscaping services.
- **Rentals** expense is \$127,000 over budget for the quarter and projected to be \$648,000 over for the fiscal year, due mainly to the accounting for the closure of Haven on the Lake.
- **Repairs and Maintenance expenses** are under budget by \$147,000 for the quarter, but are anticipated to be slightly above budget for the year, due primarily to timing related to supply chain delays in materials and contractors.
- **Depreciation** is under budget by \$216,000 for the quarter, and is anticipated to be \$862,000, or 7%, under budget for the year, primarily due to materials and contractor supply chain challenges in closing projects when originally anticipated.

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 \$1.7 million more than the first quarter of FY22, due to increased participation in our programs and services, the opening of all 23 outdoor pools in FY23, and minimum wage and other pay increases and hiring incentives primarily for lifeguards and School Age Services staff.
- **Operating Supplies/Expenses and Repairs and Maintenance** combined are \$470,000 higher than the same period last year, due to increased participation in our

programs and services, cost increases for supplies and labor, and the opening of all 23 outdoor pools in FY23.

For further explanation of individual variances throughout the organization, please refer to the FY23 First Quarter Financial Report and the reports from the department directors.



FIRST QUARTER FY 2023 FINANCIAL REPORT COMMUNITY PROGRAMS AND SERVICES

The Department of Community Programs and Services (CP&S) completed first quarter of fiscal year 2023 \$454,000 (13%) better than budget and \$228,000 (8%) below the first quarter of fiscal year 2022. Increases in Tuition and Enrollment, Fees Income and Membership Income combined with savings in Operating Supplies/Expenses, Utilities and Depreciation, created the positive variance between budget and actual results for the period. Increases in Personnel Expenses, Operating Supplies, Repairs and Maintenance and the accounting for the closure of Haven on the Lake also contributed to the negative variances to the same period of last fiscal year. We expect most of the trends to continue for the remainder of the fiscal year 2023 and to finish FY 2023 \$830,000 (9%) better than budget.

Department highlights for the First Quarter of FY 2023 include:

Community Engagement

- In May, Columbia MD Archives received a donation of awards and other artifacts from the late Vivian C. Bailey's family. With this donation, the collection "RGLXVII Vivian C. Bailey Papers" was created. Our hope is to continue adding to this collection to memorialize, preserve, and provide access to information on the renowned life of Mrs. Bailey for generations to come. To learn more about the collection, search for "RGLXVII" in the Archives section of CA's website.
- Several CP&S team members represented CA in local and national arenas. Dan Burns, CP&S Vice President, was interviewed for the May 2022 issue of *Club Business International* magazine. Dan shared his insights for an article titled "Adjusting to the New Financial Landscape." CA Art Center Manager Liz Henzey participated on a three-person panel for the 2022 Maryland Arts Summit in June at University of Maryland Baltimore County. The topic discussed was "Enhancing Community Engagement through the Arts," and there were 55 people in attendance. CA's Assistant Director of Community Programs and Services, Anish Manrai, was invited to participate on a national panel of five operators from across the country hosted by *Club Solutions Magazine* as part of their Thought Leaders Series on Navigating the Pickleball Craze in the U.S.
- The CA Art Center and International Exchange and Multi-Cultural Programs teams participated in ARTreach, an arts festival held in Long Reach Village on June 4, 2022. Sponsored by Howard County government and Howard County Arts Council (HCAC), the event provided free family art activities, music and dance performances, and food trucks. CA's Art Center rented some of its studios to HCAC for use as the hub of events, and provided all-day wheel and glass demonstrations, a pop-up gallery shop, and family art activities. More than 650 people came through the Art Center during the day's event.

Art Center

- The Art Center hosted the 2022 Lakefest Umbrella Theme show at Lake Kittamaqundi June 10-12. The outdoor show featured 34 decorated umbrellas inspired by the theme "Healing Hearts through Music, Dance, and Words." Participants included children, teens, adults, organizations, and local artists. An estimated 2,700 people viewed the outdoor art show, with more than 1,300 ballots submitted for the viewer-voting contest. The three winners were announced on the Lakefest stage Sunday, June 12th.

Columbia Maryland Archives

- On June 16, the Columbia MD Archives (CMA) staff toured the premiere of the Jewish Federation of Howard County's exhibit "Made from Scratch: Creating the Howard County Jewish Community." The wonderful staff of the Jewish Federation has been working with the Columbia MD Archives to research and use collection material to display in their exhibit.
- On June 23, the CMA Summer Field School in partnership with Howard Community College (HCC) finished hosting its first cohort of students! The students created a fantastic display at HCC using the Builders and Developers collection. The CMA staff recreated the display virtually for all to see.
- On July 27, Erin Berry, CA's archivist, gave a presentation about the history of Columbia and the Village of Kings Contrivance at the Annual Senior Lunch at Amherst House.

International Exchange and Multicultural Programs

- The Tema, Ghana Sister City Committee held a book reading at the Howard County Library System's Miller Branch on June 18, honoring Ghana's day of independence. Twenty-two people attended the event and it was very well received.

Supreme Sports Club

- The six-week Middle School - Finish Strong series wrapped up on June 22. Members of the Teen Advisory Committee and Supreme Sports Club team worked together to offer tutoring and recreational stress relief (games, basketball, etc.).

Golf

- Hobbit's Glen Golf Club hosted the Annual Member-Guest Golf tournament June 3-5 with 58 participants.
- Fairway Hills Golf Club, home to the Howard County chapter of First Tee, hosted First Tee's annual golf tournament on July 29, and 104 players, 30 volunteers, and great sponsors helped raise \$30,000 for their fundraising effort.

Tennis

- CA's Wilde Lake and Owen Brown tennis clubs hosted the USTA 40+ Regional Tournament July 22-24. Between 600 and 800 players from the Mid-Atlantic region participated in the weekend event.

Aquatics

- Columbia Aquatics Association (Clippers Parent Board), working with Maryland Special Olympics, held a Special Olympics Swim Meet at Stevens Forest Pool on June 22 with the assistance of the Columbia Association. Maryland Special Olympics had 97 swimmers participate, representing four teams and 200 swimmers.

Ice Rink

- CA's Ice Rink hosted a community Open House on Sunday July 17. The Ice Rink offered many carnival and hockey-type games, bounce house, pictures on the Zamboni and

Howie the Huskie, and karaoke, as well as free hot dogs, popcorn and ice pops. Approximately 250 people from the community enjoyed a day at the Ice Rink.

- CA's Ice Rink staff team hosted a summer program for the first time in years. The Maryland Box Lacrosse League (MBLL) featuring the Maryland Arrows held practices and games from June 14 until July 21. Approximately 1,500 visitors came to play during that time and enjoyed practicing on the cool cement floor of the rink.

SportsPark

- CA's SportsPark held its second Midnight Mini Golf Event on July 8 with more than 100 participants.



FIRST QUARTER FY 2023 FINANCIAL REPORT DEPARTMENT OF COMMUNITY OPERATIONS

The Department of Community Operations 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 Facilities and Building Grounds; Parks, Pathways, and Play Areas; Sustainability; Facility Services; Event Services; and Community Development and Real Estate Services.

Community Operations completed the first quarter of FY 2023 \$641,000 or about 12%, below budget, and approximately 15% higher than the same period in FY 2022.

Noteworthy accomplishments during the first quarter included the following:

- Completed the North Slope boardwalk and the installation of a bridge in Long Reach.
- Refurbished one tot lot in Owen Brown and replaced one tot lot in Long Reach.
- Completed Columbia-wide parking lot seal coating and striping projects.
- Renovated 3,000 feet of pathway Columbia-wide.
- Completed a full LED retrofit at the Supreme Sports Club Arena.
- Completed the installation of an ENERGY STAR HVAC unit at Locust Park.
- Initiated augmented recycling support for all Lakefront Live concert events.
- Completed replacement of LED walkway lighting at Hobbit's Glen Golf Clubhouse.
- Held a virtual community energy meeting on June 22nd with 25 participants to promote solar panel installation and energy efficiency upgrades.
- Completed renovation of a stormwater management facility in Dorsey's Search.
- Sponsored seven volunteer events involving Weed Warriors and Community Families in Nature, removing non-native invasive plants and replanting natives.
- Sponsored an Adopt a Stream event with Union Chapel Church removing trash from the stream that flows from Cradlerock to Lake Elkhorn.
- CA sponsored a Hooked on Fishing event with the Department of Natural Resources at Jackson Pond.
- Implemented fishing line inspection and removal on weekdays at Wilde Lake and at high fishing use areas of Lake Kittamaqundi and Lake Elkhorn.
- Improved efficiency of aquatic vegetation harvesting through utilizing loaders and stake body trucks, resulting in more loads of vegetation removed per day of operation.
- Planned, coordinated and supported the July 4th Celebrations and Longfellow and River Hill parades; 280 team member hours supported these events in total.
- Planned, coordinated and held three Lakefront Live Headline events, twelve Movie Nights, five standard concerts, eight Dancing Under the People Tree events and two International Exchange and /Multicultural Programs events, with an estimated total attendance of 5,000, not including the July 4th celebration.



FIRST QUARTER FY 2023 FINANCIAL REPORT DEPARTMENT OF ADMINISTRATIVE SERVICES

Administrative Services finished the first quarter of fiscal year (FY) 2023 \$389,000, or 1% better than budget, and \$1.5 million, or 3%, higher than the same period in FY22. The variances are primarily due to the increase in annual charge revenue. At this point, early in the fiscal year, we anticipate ending FY23 with a favorable variance of \$1.6 million, or 4%.

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 financial statements and auditor's report were 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 FY23 annual charge bills for more than 27,000 parcels and a total bill amount of approximately \$47 million. The team responded to thousands of calls and emails, and began processing refunds and credits.

The accounting team also led the organization in the shift to a completely paperless cash reporting process for all CA facilities that receive cash from customers. This is a significant achievement in Lakey's process improvement initiative and will improve efficiency and internal controls and may also result in a small cost reduction over time.

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.
- 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.
- Continued the transition to LinkedIn Learning for professional development through access provided by Howard County Library System, for the entire CA work force.
- Assisted with the recruiting efforts required to open all 23 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. This was extremely challenging this year, and required significantly more HR staff time than previous summers.
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Information Technology (IT)

Information Technology (“IT”) supported the opening of all 23 outdoor pools, ensuring the voice and data connectivity of each one.

CA IT successfully upgraded CA’s firewall appliances in the data center, further reducing risk and threats to CA’s information assets by improving and modernizing the perimeter layer of protection.

CA IT has automated aspects of user account management to quickly and efficiently reconcile user accounts and identities across multiple system. This effort, in response to Lakey’s process improvement initiative, reduces manual work previously performed by team members, resulting in significant cost savings through efficiency gains and the opportunity to redeploy CA IT team members to other priority work matters and projects.

Purchasing

CA’s Purchasing team provided supporting documentation and information for the FY22 financial statement audit, as well as contractual support for the engagement.

The Purchasing Manager participated in the in-person Diverse Contractor Outreach event in June. The event, sponsored by the County Executive’s Office in partnership with Howard Hughes Corporation, connected vendors and contractors with organizations like CA to learn about MBE opportunities in upcoming projects in Howard County.

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.