



March 16, 2022

Dear Members of the Columbia Association Board of Directors:

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

The format of this Financial Report reflects my organizational realignment that established the Department of Community Programs and Services led by Vice President Dan Burns and the Department of Community Operations led by Vice President Dennis Matthey. That realignment was initiated in early October 2021, which did not allow enough time in the second quarter reporting cycle to reflect those changes. I hope that this organizational realignment furthers our efforts to make CA's broad array of activities more easily understood by our community, and continues to advance the improvements we have made in community engagement this fiscal year.

We completed the third quarter \$7.6 million above budget and \$721,000 above 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 as we progress through FY 2022:

- Ongoing resource stewardship
 - Staff efforts to continually research alternative sources of funding have resulted in the receipt of nearly \$900,000 in state grants for our School Age Services program.
 - The April 30, 2021 closing of Haven on the Lake and subsequent subleasing of the space contributed approximately \$2 million to the favorable results projected for FY 2022.
 - Ongoing initiatives of process improvement and cost management continue to result in expense savings.
- 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 continues to engage in CA gatherings, activities, wellness opportunities, etc. at levels beyond our initial expectations around COVID impacts and behavioral responses.

As previously reported to the CA Board, CA received a federal Employee Retention Tax Credit of approximately \$2 million in February 2022. This is a brand new wage and tax credit, part of the federal pandemic response under the CARES Act, to encourage and reward businesses and nonprofits in retaining employees. The FY 2022 year-end estimate reflects the receipt of this credit, as well as our application for an additional credit of approximately \$2 million, which we have not yet received.

As noted, this tax credit is to be used for employee retention purposes. We are going to be allocating a significant portion to team member bonuses. This is to recognize and reward continued service as well as keep us competitive with other employers that have been using federal funds for the same purpose. We will propose the allocation of the remainder to emergency cash reserves. This is related to retention in demonstrating to employees an investment to ensure our ability to weather any future unexpected circumstances that could impact the security of their employment and confidence in CA's financial viability.

This is yet another demonstration of the stewardship, acumen, and creativity the CA team brings to bear for our organizational efficiency and effectiveness each and every day.

Additional financial insights are included in the 3rd Quarter FY 2022 Financial Report. Also, as part of their reports, the department directors have provided further explanation of their third quarter results, including noteworthy variances.

I am very proud of these excellent financial results for Columbia Association, especially as we are still in a global pandemic and now have the added tragedy and uncertainty of global conflict with the war in Ukraine. Additionally, from an economic perspective, inflationary pressures are being felt by all, including CA, at levels not experienced in over 40 years. It remains critically important to remember that we continue to conduct the business of CA in unprecedented, uncertain and challenging times. For example, COVID-driven funding programs from state and federal agencies have provided unparalleled, one-time funding for specific purposes, and vacant staff positions and supply chain challenges continue to contribute to our expense savings for the period. However, staff recruiting and supplier difficulties present significant operational challenges. These challenges are impacting organizations nationwide, and we see no relief on the horizon.

We appreciate the Board's efforts in all of CA's work 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.



THIRD QUARTER FY 2022 FINANCIAL REPORT COLUMBIA ASSOCIATION, INC.

VARIANCE EXPLANATIONS are required for line-item variances in a budget center (not summary page) for each variance that exceeds \$25,000 and 25%. This requirement does not apply to totals or subtotals.

ORGANIZATIONAL REALIGNMENT NOTE

The organizational realignment that established the Department of Community Programs and Services led by Vice President Dan Burns and the Department of Community Operations led by Vice President Dennis Matthey was initiated in early October 2021. The FY22 third quarter financial report has been prepared in accordance with the new organizational realignment.

ORGANIZATION-WIDE FINANCIAL HIGHLIGHTS

As Ms. Boyd noted in her letter, Columbia Association ("CA") completed the third quarter of FY22 approximately \$7.6 million, or 70%, over the budgeted increase in net assets. Total income of \$63 million was \$4.1 million or 7% above budget for the period and about \$8.4 million, or 15%, above the same period in FY21. Total expenses of \$44.6 million were 7% below budget and \$7.7 million, or 21%, higher than the third quarter of last year.

CA anticipates ending FY22 significantly above budget with an increase in net assets of approximately \$9.9 million, of which approximately \$4.3 million is due to the ERTC, as described below.

It should also be noted that approximately \$2 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.

EMPLOYEE RETENTION TAX CREDIT

CA applied and qualified for the Employee Retention Tax Credit (ERTC), and has received a credit of approximately \$2 million. The ERTC, implemented under the CARES Act, was created to encourage and reward businesses and non-profits to keep employees on their payrolls during the COVID-19 pandemic. The total amount of ERTC income for which CA applied to date is

approximately \$4.3 million. As of mid-March 2022, approximately half of the total amount earned has been received. In accordance with the intent of the program, CA will use a portion of the grant for retention payments to team members and apply the balance to the funding needs of the Emergency Cash Reserves initiated in FY21, which also supports team member retention.

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

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

- **Annual Charge** revenue is above budget for the period by 5%, 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 point in the fiscal year, we are more confident now that the annual charge revenue will not be as negatively affected by tax credits and abatements as we anticipated earlier in the year.
- **Tuition and Enrollment** is \$555,000 below budget for the period and is projected to be \$596,000 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 and lower than anticipated full-day program participation.
- **Fees Income** is above budget for the period by \$690,000 and is projected to be above budget by \$455,000 for the year, due to greater than expected play at the golf clubs and tennis facilities and increased participation in the Learn to Skate program at the Ice Rink.
- **Other Income** is above budget by \$814,000 for the period and is expected to grow to \$5.1 million over budget for the fiscal year. As noted, most of the favorable variance is due to the ERTC with approximately \$900,000 is due to Maryland State Department of Education grants received by School Age Services (SAS) to support that program.
- **The total of Direct and Allocated Membership Income** is \$792,000, or 9%, over budget for the period, and is projected to be about \$1.1 million, also 9%, above budget for the year, due to new membership sales.

Income Variances – Year to Year

Large income variances as compared to the first nine months of FY21 are:

- The **Annual Charge** revenue variance of approximately \$1.3 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** is just over \$1 million greater than last year, due to remote learning in Howard County Public Schools in FY21 because of COVID-19 and to camps offered in FY22.
- **Fees Income** is \$2 million, or 64% higher than the third quarter of FY21, due to the COVID-19 closures and phased re-openings in FY21, the FY22 outdoor pool season, increased play at both golf clubs, and increased participation in fee-based programs at nearly all Sport and Fitness facilities.
- **Other Income** is \$784,000 greater than last year, due to Maryland State Department of Education grants received by SAS to support that program.
- **Direct and Allocated Membership Income** combined are \$2.8 million, or 43%, higher than the same period last year, due to an increase in membership sales after the FY21 COVID-19 closures and restrictions were lifted, the opening of 16 outdoor pools in FY22 and more community members returning to our facilities.

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

Large 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 \$565,000 or 3% below budget for the period. The variance is due to vacancies in a number of positions, as well as the impact of hybrid learning on the SAS program from March 2021 through the end of the 2021 school year and lower than anticipated SAS and camps participation. Multiple recruitment efforts are ongoing to fill vacant positions; this continues to be a significant challenge for the organization. The variance is projected to move to \$998,000 over budget for the fiscal year, as a result of planned employee retention payments to qualified team members in the fourth quarter, using the ERTC funds described above. Also contributing \$825,000 in salaries and wages alone to this variance are payments to about 560 team members who are being reimbursed in FY22 for time worked during the pandemic at less than their full pay rate.
- **Operating Supplies/Expenses** are under budget and expected to be at budget 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; operational efficiencies; and, supply chain challenges for some materials.
- **Fees** are \$729,000, or 27% above budget for the period, and we anticipate the variance to increase to \$1.3 million for the year, due to fees for legal matters, the outsourced interim IT leadership and support, the outsourced part-time interim general counsel, and the brokerage fee for subleasing the former Haven on the Lake space. Increased spending in Open Space is also contributing to the overage.
- **Community Association Annual Charge Share Grants** are projected to be over budget by \$386,000, or 12%, for the fiscal year, as a result of CA staff reassessment of annual charge income reserves, which drove the original FY22 annual charge share grant amounts. This addition to the village community association grants will be distributed before year end.
- **Depreciation** is under budget by \$1.1 million for the period, and is anticipated to be the same for the year, primarily due to projects closing later than anticipated, intentionally reduced spending in FY21.

Expense Variances – Year to Year

Large 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 \$6.1 million greater than in the third 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 \$1.1 million, or 50% above the third quarter of FY21, due to increased open space work in FY 22, legal fees for certain matters and the climate vulnerability assessment. Interim outsourced IT leadership and other services due to the vacancy in the Director of IT position, implementing multi-factor authentication and a Lawson upgrade also contributed to this variance.

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



THIRD QUARTER FY 2022 FINANCIAL REPORT COMMUNITY PROGRAMS AND SERVICES

The Department of Community Programs and Services (CP&S) completed the third quarter of fiscal year 2022 nearly \$4.7 million (44%) better than budget and \$2.2 million (27%) better than the third quarter of fiscal year 2021. Increases in Fees Income, Membership Income and Other Income (grants for School Age Services from the Maryland State Department of Education), combined with savings in Personnel Expenses, Operating Supplies/Expenses, Repairs and Maintenance and Depreciation combined to create the positive variance between budget and actual results for the period. The accounting for the closure of Haven on the Lake also contributed to the positive variance. We expect these items to persist, and to finish the year approximately \$4.8 million (35%) better than budget.

Department Highlights for the Third Quarter of FY22 include:

Community Engagement: The third quarter was filled with planning for events and exhibits to take place around Martin Luther King Day, Black History Month, Women's History Month, and collaborative "Dance around the World" classes with the fitness and International Exchange and Multicultural Programs (IEMP) teams.

We are grateful to have had the chance to network with the future at January's career fair at Wilde Lake High School. Thank you so much for having us, Wildecats! Team members from several divisions along with Eraine Franklin (Human Resources recruiting and business specialist) offered on-the-spot interviews and additional information about working at CA.

Engagement with CP&S posts on social media (Twitter, Facebook and Instagram) are up, up, up! From SatArtDay posts to singing lifeguards to Hobbit's Glen Golf Club's working dogs, one of the highest interactions was with voting on the team Gingerbread House competition this quarter.

New Faces: In January, Aimee Kirby joined the Columbia Maryland Archives as the new Archives Assistant, and the Teen Center welcomed JaCarl Smith as Recreation Assistant.

Columbia Maryland Archives: In December 2021, two online exhibits were launched on the digital catalog website. This is the first step in creating more online exhibits in the future for anyone to explore to learn more of Columbia's history and to highlight the Archives' collections.

Columbia Art Center: Columbia Art Center hosted a gallery reception on December 15 to showcase its Holiday Ceramics exhibit with 40 people attending the evening event. Sales from the show and the gallery shop during the exhibit's run, December 3-23, were approximately \$2,200.

Columbia Art Center hosted two full fused glass workshops on December 18. On the same day, the team held a workshop on holiday card-making for parents and children.

In partnership with the Howard County Public School System (HCPSS), Columbia Art Center hosted a youth exhibit through January 30 entitled "First Impressions: The Fine Art of Printmaking." The gallery show featured 150 colorful prints created by students in grades K-12th. This annual theme show marks the ninth year of the partnership between HCPSS and Columbia Art Center.

Columbia Art Center kicked off the first of two guest artist painting workshops on January 19 with recognized area artists April Rimpo and Robert Coe. Both workshops were filled with watercolor artists from around the Baltimore/DC region.

International Exchange and Multicultural Programs: The Tema, Ghana Sister City program helped host the new ambassador from Ghana at a reception held at the Ghanaian embassy in Washington, DC on November 4.

The World Languages Cafe (WLC) switched to a virtual format as Howard County had shut down all in-person group activities at the 50+ Center where the WLC has been meeting for the past seven years. WLC offers a free evening of conversation and culture and is a great place to practice speaking languages you know or are learning.

School Age Services: With joint efforts between HR and Communications and Marketing, we have been able to successfully add six new team members to our School Age Services team.

Youth and Teen Center: In December, the Youth and Teen Center hosted its first Teen Tuesday Night to welcome teens to the Barn and enjoy basketball, video games and more.

With help from the new Recreation Assistant hired in January, the team prepared the building to reopen the After School Recreation and Enrichment drop-in on Monday, February 14th.

The partnership between CA and Columbia Community Cares continued with food distribution to families in need on Saturdays out of the Barn.

Golf: Snow and cold can't stop a golfer. Hobbit's Glen welcomed almost 100 players on Saturday November 20th for the annual Turkey Shoot, and Fairway Hills hosted 70 players for their event on Sunday the 21st.

The Golf Course Superintendents team helped a surprise visitor in need in January. The Hobbit's Glen Golf Course maintenance team found a blue heron trapped on the ice in the middle of one of the course points and stepped into action. They were able to get the bird loose from the ice and found that it was injured. The team cared for the bird until the Maryland Department of Natural Resources arrived.

Fitness: In December, the Columbia Athletic Club held a special Drop and Play event so parents could drop their kids off and get holiday shopping and other errands done. The kids enjoyed playing holiday-related games, scooter boards, basketball and dancing, as well as hot chocolate, donuts and snacks. The program finished up with cookie decorating and a snow globe craft.

Tennis: The Second Annual Holiday Tennis Academy over the winter break week at the end of December was very successful, with 128 participants taking up their racquets over the holidays.

The 2022 USTA League season began on January 2 with the Mixed 18 & Over League of approximately 480 players, as compared to 426 players in 2021.

The tennis team wrapped up an outstanding Winter Instructional program for juniors and adults in mid-January with more than 500 participants.

Aquatics: The annual Aquatics summer hiring process started in December. By the end of the quarter, more than 300 applications had been received.

Ice Rink: December 2021 saw more public skate participants visit the Ice Rink than we have had in the past five Decembers.

Team members offered to work Christmas Day, so the Ice Rink opened on that holiday for the first time in memory. About 130 people attended the three-hour public session.

The Columbia Ice Rink team hosted the Columbia Skating Club's 30th anniversary of The Nutcracker on Ice. Thank you for celebrating 30 years of holiday bliss and beauty on the ice at your home rink!



THIRD QUARTER FY 2022 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 third quarter \$355,000, or 3%, below budget, and current projections indicate ending the fiscal year \$243,000, or 1% under budget.

Noteworthy accomplishments during the third quarter included the following:

- Completed interior improvements at Faulkner Ridge Pool bath house including an accessible ramp into the restrooms
- Replaced epoxy floors at Stevens Forest Pool bath house
- Completed upper level restroom improvements at Historic Oakland
- Installed a dual fuel low carbon ENERGY STAR HVAC unit at Supreme Sports Club
- Completed annual in-depth inspection of 174 tot lots Columbia-Wide
- Completed the replacement of OM08 Mirror Light Tot Lot
- Replaced 2,332 linear feet of decking on the Town Center Dock
- Hosted a community webinar on January 26th presenting the findings of a climate vulnerability assessment (CVA)
- Completed LED lighting retrofits at Talbot Springs and Phelps Luck Neighborhood Centers
- Installed an EV charging station at Dorsey's Search Meeting Room
- Completed LED lighting retrofit audits at Hobbit's Glen Maintenance Facility, Clary's Forest Pool and Swansfield Neighborhood Center
- Became an inaugural partner of the U.S. Department of Energy's Better Climate Initiative
- Completed the design to convert Clary's Forest Pool to be fully electricity-powered and eliminate the use of fossil fuels at this facility



THIRD QUARTER FY 2022 FINANCIAL REPORT DEPARTMENT OF COMMUNICATIONS & MARKETING

Member Acquisition: Membership lead generation and new member acquisition continued to be challenging during the quarter, which saw ongoing concerns with COVID-19 and the very substantial surge in cases and restrictions due to the Omicron variant. Lead generation volume was approximately 26% lower than the previous quarter, and cost per member acquisition spiked in pursuit of prospects.

Communications: The Communications team was enhanced during the quarter with the onboarding of a new social media and community outreach specialist, which has resulted in a substantial increase in the content deployment through these important channels, and associated increases in online engagement.

Communications activities have also encompassed complex and critical topics including COVID-19 response and community messaging, articulation of CA's role and objectives around stream restoration projects and participation at a larger number of events than prior to the pandemic.

Customer Care: With the Welcome Center opening in the previous quarter, the Customer Care Team has provided the community and members with an efficient hybrid experience, allowing for in-person consultations as well as streamlined virtual customer service via phone and email. During the quarter, the Customer Care team responded to 4,739 phone calls (a little over 77 phone inquiries per business day) and provided more than 2,400 answers and information via email response. Walk-in traffic during this period was 726 visits.

Website: The CA Website remains an important channel for CA to provide information across a vast array of facilities and services, but requires substantial re-organization and content updates to best serve the community and the organization. Much progress has been made in reviewing hundreds of pages of information and engaging with teams to update and improve content. While significant design improvements remain ahead of us, including efforts to capture an improved set of photography assets for use on the site, the coming quarter is expected to see many of these improvements made public.

CA Points Program: While this program, providing incentives and membership opportunities to low-income families, was first created more than 20 years ago, CA continued to roll out a public campaign to promote CA Points to eligible students, along with revamped enrollment processes and partner communications (parents and school liaisons).



THIRD QUARTER FY 2022 FINANCIAL REPORT DEPARTMENT OF ADMINISTRATIVE SERVICES

Administrative Services finished the third quarter of fiscal year (FY) 2022 \$2.5 million, or 6% above budget, and \$1.2 million, or 3%, 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.

Third quarter highlights from the department include:

Accounting and Payroll Division

- Continued to expand the use of electronic payments to many of CA's accounts payable vendors, reducing paper and postage costs and increasing vendor satisfaction.
- Coordinated a CA-wide budgeting process that culminated in publication of a detailed, informative FY 2023 Draft Operating and Capital Budget document.
- Continued cross-training and back-up planning as well as ongoing process improvement reviews to ensure that the quality of the team's work and service to other departments and to residents did not falter in spite of reduced staffing.
- Facilitated the repayment project to reimbursement qualifying team members for hours worked during the pandemic at rates below their full pay rates.
- Maintained excellent cash management and financial reporting, giving CA important credibility with banks, lenders, and other existing or potential stakeholders.
- Completed the applications for two quarters of eligibility for the Employee Retention Tax Credit.

Human Resources Division

- Rolled out the Optics Workshop, a training about bias and cultural awareness, with 100% participation across full-time staff.
- Produced a pronouns workshops and Introduction to Pronoun Use e-learning course.
- Achieved continuous engagement among CA's first DE&I Committee.
- Implemented a mandatory COVID-19 vaccine policy for team members.
- Conducted and managed compliance training for the entire organization.
- Began hiring process for aquatics pool season for summer 2022 and hosted job fairs to assist with filling key positions.
- Facilitated the hiring of two new members of the Senior Leadership Team - Michael W. Aniton (General Counsel) and Armsby Carbon (Director, Information Technology).

Information Technology Division

- Implemented enhanced security measures pursuant to the development of CA's cyber security program.
- Implemented an interim inventory management system to track CA's technology assets.
- Met Payment Card Industry Data Security Standard (PCI-DSS) Compliant standards.

- Migrated 23TB of archived CA data to ensure data continuity and availability to business owners.
- Facilitated seamless seasonal facility readiness with technology deployments.
- Deployed and completed quarterly organization-wide cyber awareness training in the month of December, the results of which show a slight positive trend in the organization's cyber risk score.
- Created a new dashboard to facilitate tracking of team members enrolled in mandatory training.

Purchasing Division

- Reviewed every major procurement and applied creative strategies to obtain essential goods and services on time and at the lowest cost and highest quality possible to address ongoing supply chain challenges, such as:
 - Rent versus purchase new;
 - Repair versus purchase new;
 - Source alternate suppliers in addition to those under contract; and
 - Source alternate products.
- Created pricing strategies to tie future prices to the consumer price index for a specific commodity or subcomponents of that commodity, where feasible.
- Participated in outreach activities to further engage minority-owned, women-owned, and disabled-owned businesses.
- Began CA-wide purchasing and contract-related activities to prepare for FY23.