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Finance and Operations Report

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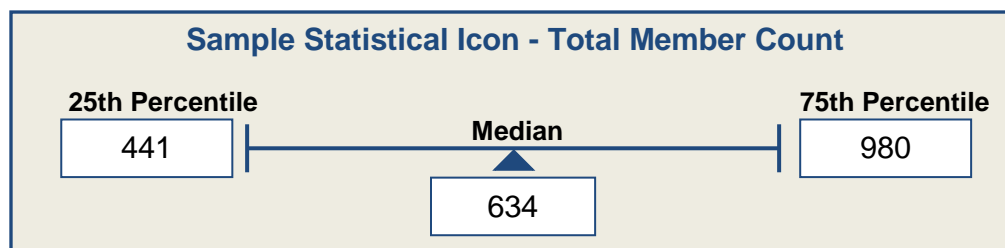
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Section II – Comments on Survey and Report Methodology

This report represents the results of the 2014 Club Finance and Operations Survey conducted in collaboration between Club Benchmarking and the Club Managers Association of America (CMAA). The questions comprising the Finance and Operations survey and the Club Benchmarking Finance and Operations benchmark were developed by Club Benchmarking and CMAA national staff. The data represents the results of fiscal year 2013 operations for clubs with fiscal year ends between July 31, 2013 and April 30, 2014. A total of 506 clubs participated in the 2014 survey. As in the past, every respondent did not reply to every question on the survey. Therefore, the findings in this report are based on the responses received for each individual question.

Club Benchmarking and CMAA have exercised best efforts in preparation of the information contained herein for accuracy. However, Club Benchmarking and CMAA disclaim all implied warranties, including, without limitation, warranties of merchantability or fitness for a particular purpose. Club Benchmarking and CMAA shall have no liability for any direct, incidental, special or consequential damages or lost profits.

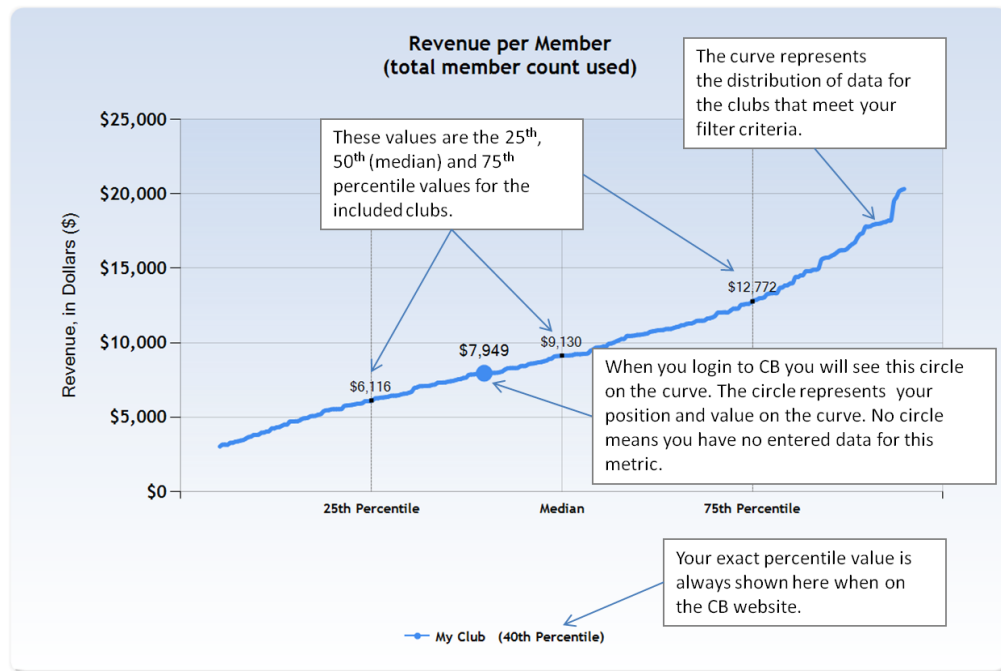
The report relies heavily on the concept of percentiles and quartiles. Quartiles and percentiles are easy to understand and offer an excellent view into the statistical distribution of a set of data. Certain percentile points characterize quartiles – namely the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile). Twenty-five percent of all respondents fall in the lower quartile, 25 percent fall between the 25th percentile and the median, 25 percent fall between the median and the 75th percentile and 25 percent of all respondents fall in the upper quartile. The median bisects the distribution - half of the respondents lie below the median while half lie above it. A sample Statistical Icon is shown below using total member count. In this example, half of the responding clubs had a total member count below 634 and half had a member count above. Twenty-five percent of clubs had a member count below 441 while 75 percent had a member count above 441 and finally, 75 percent of clubs had a member count below 980 while 25 percent had a member count above 980.



Another example of a graphic used to communicate results throughout the report, and throughout the Club Benchmarking platform, is shown below. The noted graphic is referred to as a scatter plot and it shows a curve connecting every single response for the given data point (also referred to as a metric). The 25th, 50th and 75th percentiles are also shown on

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the curve. In this example, the 25th percentile is \$6,116, the 50th percentile (median) is \$9,130 and the 75th percentile is \$12,772. As you read the report and come across scatter plots such as that below, you should be focusing on the curve between the 25th and 75th percentiles between which 50 percent of all clubs fall. As can be seen in the example, as you reach the ends of the curve, you see what are termed “outliers” – those clubs that for whatever reason form the anomalies for the given metric.



Club Benchmarking's online platform shows subscribers their club's position on the scatter plot and exactly into which percentile their club falls. Subscribers can see this for every data point to which they have responded by logging into Club Benchmarking. If you need help in this regard, please see the contacts below. Both the data collection for the survey and the Club Benchmarking platform organize financial information in keeping with the [Uniform System of Financial Reporting for Clubs \(USFRC\)](#).

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Detailed questions or comments regarding the survey or the report should be addressed to either Ray Cronin (rcronin@clubbenchmarking.com) or Russ Conde (rconde@clubbenchmarking.com) at Club Benchmarking or to Sarah Bal at CMAA (sarah.bal@cmaa.org).

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Section III – Introduction to Club Benchmarking

The Need

The business model of clubs needs much greater visibility. Too many general managers are at the whim of board members who believe they know the answer when, in fact, they do not understand the business of clubs. The industry is facing great challenges as a result of economic and demographic pressures. There is a critical need for factual information that managers and boards can use to clearly understand...

- What Matters – the drivers of true, sustainable success
- What Doesn't Matter – far too much time is wasted in club boardrooms across the industry discussing issues that have no strategic implications for long term success or even impact on short term financial outcomes

Club Benchmarking and CMAA are working to deliver standardized, contextual, benchmark data that allows managers and boards to develop a shared sense of their club's particular situation. Without accurate, standardized data clubs often endure lengthy board and committee discussions where opinions are treated as fact and there is misalignment on the key success factors resulting in lack of alignment on strategy and direction.

The time has come for managers and boards to embrace a fact-based view of the club industry in an effort to drive sustainable long-term success.

Current Situation

For decades, clubs have relied on familiar methods to support the need for comparative data; industry-level surveys resulting in static reports, multiple club-to-club surveys (which are typically redundant and lack standardization), or picking up the phone and calling fellow general managers and controllers. These methods are highly redundant and reactionary and are often driven by questions raised at the manager's last board meeting. The data has a very short life span, lacks context and is not available or useful to the industry at large. The data does not live beyond its reactionary goal.

Club Benchmarking Fills the Need

The industry benefits immensely from Club Benchmarking's centralized, standardized, online data sharing platform containing Finance and Operations, Compensation and Benefits and Policies and Procedures data. The platform is accessible to the entire industry, at any time, right from your desktop.

- A single, national, standardized (apples-to-apples) database, with user-defined peer sets [[Click to View Club Subscriber Map](#)].
- Eventual elimination of the endless stream of surveys and one-off questions.
- Supports all club types (golf, country, yacht, city, other clubs).
- A dynamic database, constantly growing with historical data always accessible.
- Web-based, 24/7 access from anywhere.

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Section IV – Executive Summary

Thank you for your participation in this year's finance and operations survey. This report can only be compiled with participation from you and your industry peers. Data sharing has moved forward dramatically in the last year with the club industry's centralized, standardized data-sharing platform now populated with data from clubs throughout the country.

Club Benchmarking's dynamic benchmarking technology allows the data that has been input by survey participants to "live on" beyond the report itself. The data is accessible online 24/7. Club Benchmarking subscribers can use filters to instantly refine the comparison data for their particular region, revenue range, club type, member count, etc. and see their data in comparison to the user-defined background data.

This report presents a wealth of data across all club functions presented in a meaningful manner. However, readers of reports such as this are always wishing to "dig deeper" and to zero in more closely on their own particular situation. That is now possible given the collaboration between CMAA and Club Benchmarking.

Care and effort have been taken throughout the analysis in this report to segment data in a way that makes it as relevant as possible for every reader. Attempts have been made to break new ground by presenting logical and detailed analysis based on the business results of the club. Every reader should find highly relevant benchmarks in the report, which can be further supplemented by accessing the Club Benchmarking online platform.

Significant effort has been made in the data analysis to illuminate variations in results. There is more meaning in understanding what drives the variation in data than in focusing on any one data point. The precise comparison of your operation to the industry overall or to peers requires your actual data to be present which of course can't be accomplished in this static report. That capability is available via online access to Club Benchmarking. Conclusions are drawn in many places – in others the statistical distribution of data is presented and the conclusions are left to the reader.

This year's Executive Summary evolves the concept of an "Industry Dashboard" which was introduced in last year's report. The concept of the dashboard is to present a short list of key financial and operating metrics which capture the key drivers of the club business model. The Table below summarizes these key parameters. Every manager should be able to cite their own club's metric for each of these KPI's. Understanding, measuring and controlling these KPI's will make for healthier clubs and a more efficient and robust industry overall. Another key benefit of embracing a standard dashboard is its effectiveness as a tool for educating Board members on what truly matters from a financial and operating perspective. Over time, universal adoption of this fact-based approach to board education will result in a more consistent and strategic standard for club governance across the industry.

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Clubs With Golf

	2014 Report (Percentile Breakpoints)		
	25th	Median	75th
Operating Revenue	\$4,402,016	\$6,214,138	\$8,804,059
Available Cash (AC)	\$2,520,694	\$3,577,165	\$5,346,862
AC to Operating Revenue Ratio	55%	60%	64%
Net Available Cash (Operating Bottom Line)	(-\$167,573)	\$60,742	\$355,941
Capital Income	\$231,557	\$558,520	\$1,317,304
Available for Capital Investment and Debt Reduction	\$134,385	\$620,239	\$1,245,025
Full Member Equivalents	334	456	655
Full Member Dues	\$5,100	\$6,650	\$8,730
Debt per Full Member Equivalent	\$742	\$4,488	\$9,056
Payroll to Operating Revenue Ratio	51%	54%	59%
Food & Beverage Loss/Profit to AC Ratio	-8%	-3%	1%
Full Member Turnover	4%	6%	10%
Average Member Age	55	58	63

Clubs Without Golf

	2014 Report (Percentile Breakpoints)		
	25th	Median	75th
Operating Revenue	\$2,588,000	\$4,643,327	\$9,334,465
Available Cash (AC)	\$1,075,348	\$2,211,117	\$4,683,342
AC to Operating Revenue Ratio	42%	49%	60%
Net Available Cash (Operating Bottom Line)	(-\$59,818)	\$69,769	\$363,304
Capital Income	\$138,872	\$393,000	\$954,696
Available for Capital Investment and Debt Reduction	\$182,337	\$486,165	\$1,433,091
Full Member Equivalents	375	663	1,384
Full Member Dues	\$2,202	\$3,000	\$4,376
Debt per Full Member Equivalent	\$0	\$1,330	\$3,985
Payroll to Operating Revenue Ratio	48%	53%	61%
Food & Beverage Loss/Profit to AC Ratio	-7%	-1%	7%
Full Member Turnover	3%	6%	10%
Average Member Age	55	58	62

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Section V – The Available Cash Model

Understanding and Managing Private Clubs Using the Available Cash Model™

Part of the analysis presented in this report is based on the concept of the Available Cash Model. The Available Cash Model is a framework that allows for true strategic benchmarking of a club's financial and operating profile. As such, the concept of the Available Cash Model is presented in this section as a primer to the following analysis. Please take time to understand this model and its implications for your operation. It is a pivotal new approach providing a consistent, proven framework for analyzing a club's business model in relation to peer groups and the industry at large.

Do you have a grasp of your club's business model? Every industry has a unique business model and successful enterprises truly understand the prevailing business model and work to refine their own adaptation of it. The club industry is no different.

There is an overarching business model governing the club industry and every club in it – the key word being “every.” Clubs have unique “personalities,” but from a business and operations standpoint, every club, regardless of its personality, is subject to the business model of the industry.

The following question is a test of how well your club grasps the business model.

How would you characterize board-level discussion of your Food and Beverage finances?

- A. Regularly discussing cost of food, cost of beverage, level of revenue and costs and bottom line in the board room.*
- B. Club budget specifies an annual net income/deficit target for Food and Beverage (F&B) and monitors progress against that target with minimal F&B financial discussion beyond that in the board room.*

If you chose “A,” there is an opportunity at your club to grasp the private club business and make a difference that can be a game-changer for you and your club. If you chose “B” your club is likely acting strategically and the rest of this section will serve as further evidence to continue in your ways. Too many clubs likely, choosing objectively, choose scenario “A”.

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Unveiling the Private Club Industry Business Model – The Available Cash Model

Anybody involved in the club business as a manager, club officer or board member is familiar with the adage “clubs are in the dues business.” This section moves beyond the slogan in search of a tangible financial framework that can change the way private clubs are managed. Throughout the section, only the operational business model is addressed – capital or balance sheet issues are not examined. The operating business model excludes initiation fee income, capital dues and assessments and investment income all of which should be considered capital income and separated with great intent from operating monies.

The key issue in illuminating the operational business model of clubs is – Where does the money to run the club come from and where does it go? No matter how unique your club’s personality is, the sources and uses of cash are common amongst all clubs. Indeed, it is the common sources and uses of cash that frame both the business model and Club Benchmarking’s Available Cash Model. This commonality evolves from “what clubs do” – as opposed to “how they do it.” The “what” is clear – clubs are in business to provide certain amenities to their members. The uniqueness is driven by “how it is done” – some clubs do it with world class service, others with more pedestrian service.

Club Benchmarking has applied the *Uniform System of Financial Reporting for Clubs (USFRC)* and common sense to develop a logical grouping of functions related to delivering amenities common to every club ultimately shaping the common business model.

As intended by the slogan “clubs are in the dues business,” a key component of the club business model is membership dues revenue. Membership dues revenue is unencumbered cash – there is no cost associated with it. On the other hand, Food and Beverage (F&B) revenue is heavily encumbered by the costs associated with delivering F&B goods and service. The stark distinction between membership dues revenue and F&B revenue serves as a key point in the illumination of the Available Cash Model. In a club, not all revenue is created equally. In fact, a significant share of a club’s revenue contributes nothing to the financial health or the monies required to run the club.

The Available Cash Model starts with identifying the sources of operating cash. Club Benchmarking has defined a simple, but standardized, calculation to derive Available Cash. Table 1 shows the calculation for clubs with and without golf.

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Table 1 – Available Cash Calculation

Clubs Without Golf	Clubs With Golf
Available Cash Equals Membership Dues Revenue + F&B Net = (F&B Revenue – F&B Expenses) + Rooms Net = (Rooms Revenue – Rooms Expenses) + Other Net = (All Other Operating Revenue – All Other Operating Expenses) + Sports Revenue = (Racquet Revenue + Fitness Revenue + Aquatics Revenue) + Yachting Net (Yachting Revenue – Yachting Expenses in Yacht Clubs)	Available Cash Equals Membership Dues Revenue + F&B Net = (F&B Revenue – F&B Expenses) + Rooms Net = (Rooms Revenue – Rooms Expenses) + Other Net = (All Other Operating Revenue – All Other Operating Expenses) + Sports Revenue = (Racquet Revenue + Fitness Revenue + Aquatics Revenue) + Golf Operations Net = (Golf Operations Revenue – Golf Operations Expenses – Golf Operations Labor)

The fundamental concept is to isolate the cash available to run the club. The cash emanates mainly from membership dues revenue, which is increased or decreased by the bottom-line operational results flowing from each of the main revenue-producing departments in the club. The main revenue-producing departments for which net results are calculated include: Food and Beverage, Overnight Rooms (for clubs with rooms), Golf Operations (for clubs with golf), Yachting (for clubs with yachting) and Other (Other Operating Revenue less Other Operating Expenses). Non-Golf Sports Revenue is considered unencumbered available cash as the expense of maintaining those facilities is considered fixed regardless of usage. Therefore, revenue generated via those facilities is viewed as unencumbered.

A few statistics from the Club Benchmarking database will move the analysis from theory to practice. The median for operating revenue across the clubs in the Club Benchmarking database (at the time of writing this section) is \$5,670,678 (excluding initiation fee, capital income and investment income), while the median Available Cash is \$3,367,536 or 60 percent of the revenue. F&B provides 30 percent of revenue at the average club accounting for most of the difference between revenue and Available Cash.

Operationally, Available Cash is generated to be “used” by only a few departments that are not considered in the net calculations for each of the revenue producing departments. These few departments are common to every club. Table 2 shows Club Benchmarking’s standardized uses of cash.

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Table 2 – Uses of Available Cash

Clubs Without Golf	Clubs With Golf
General and Administrative Buildings and Maintenance Sports (Racquets, Aquatics, Fitness, Spa) Fixed Expenses (Real Estate Taxes, Property and Liability Insurance, Interest Expense)	General and Administrative Buildings and Maintenance Non-Golf Sports (Racquets, Aquatics, Fitness, Spa) Fixed Expenses (Real Estate Taxes, Property and Liability Insurance, Interest Expense) Course Maintenance Golf Operations Labor (other Golf Ops expenses are netted in Available Cash calculation)

The Common Business Model

The business model that unites all clubs is the Available Cash Model. Clubs derive and consume Available Cash in similar proportions mostly independent of geographic location, type, quality or size of club. The proportional sources and uses of cash are identical.

All clubs derive the majority of cash necessary to run the club from dues - the average club in the Club Benchmarking database derives 76 percent of its Available Cash from dues revenue. The great variation that exists from club to club due to banquet revenue, class of service or club personality (high service, marginal service) is “standardized” in the common business model by adding or subtracting the net income or deficit from F&B from the Available Cash bucket.

Every club has a G&A function, buildings maintenance and operation expenses, fixed expenses (in the form of insurance, real estate taxes and possibly interest expenses) and 97 percent of all clubs in the Club Benchmarking database have some form of non-golf sports. These are the few, standardized uses of Available Cash at all clubs.

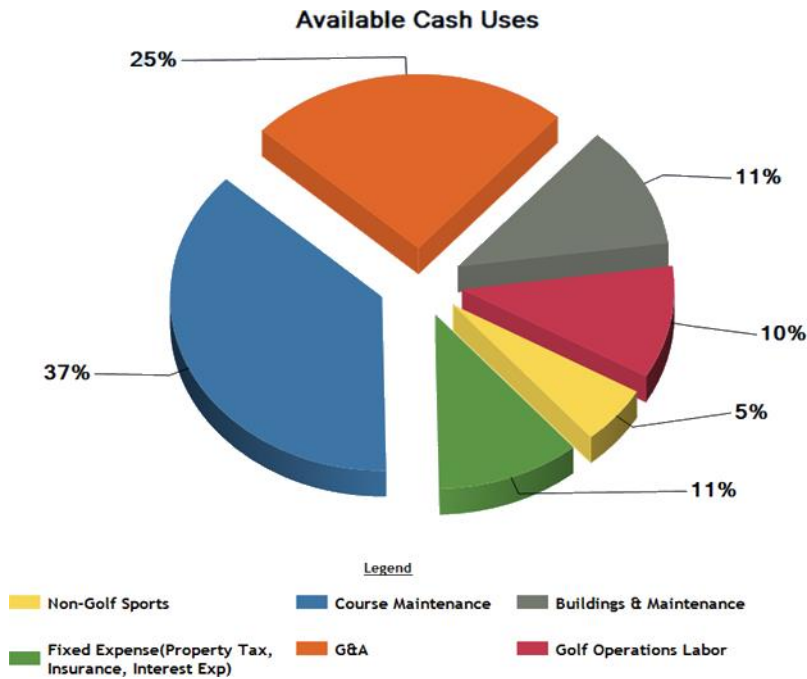
The key benchmarking concern in comparing your club’s Available Cash to a peer set is the statistical distribution of proportional sources and uses of cash, and the ratio of Available Cash to the total operating revenue of the club. The best way to describe this is to use real data. As a starting point, please refer to Figures 1–4.

Figure 1 and Figure 2 show the proportionate uses of Available Cash for clubs with golf and less than \$6 million in total revenue (Figure 1) and more than \$6 million in revenue (Figure 2). A couple of variations worth noting are the percentage of Available Cash used for course maintenance and non-golf sports. The smaller revenue clubs use a slightly higher portion of their Available Cash to maintain the course and expend a slightly lower portion on supporting non-golf sports. As you can see, the remaining uses of cash are almost identical.

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Figures 3 and 4 show the same distributions for the sources of Available Cash and they also are almost identical.

Figure 1 – Uses of Available Cash – Clubs Under \$6 Million With Golf



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Figure 2 – Uses of Available Cash – Clubs Exceeding \$6 Million With Golf

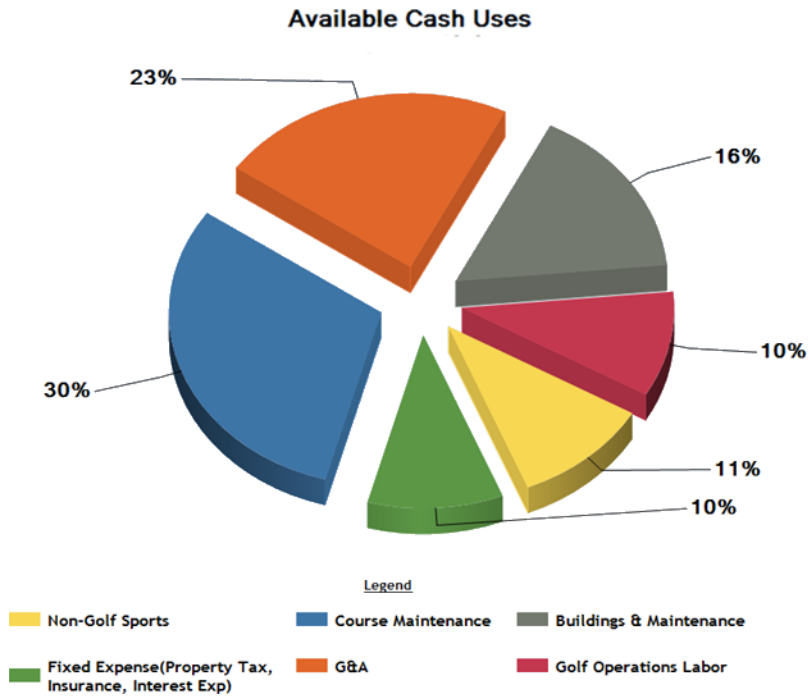
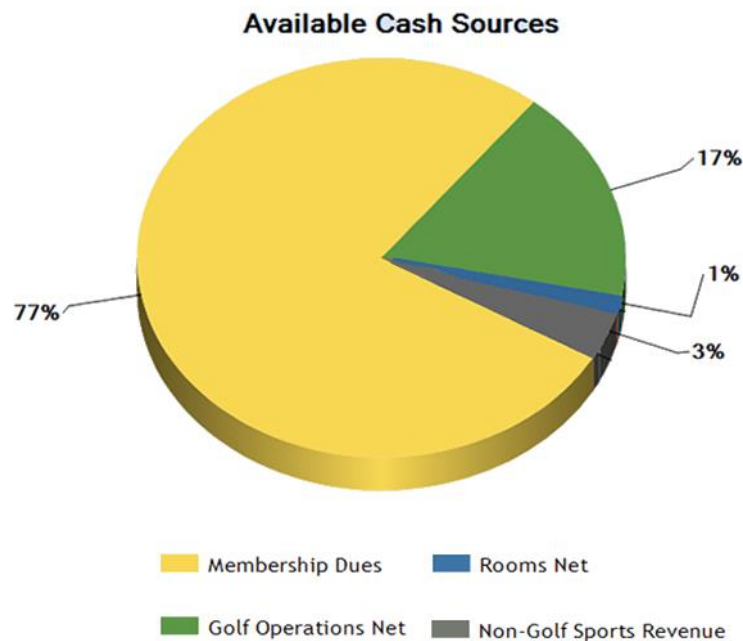
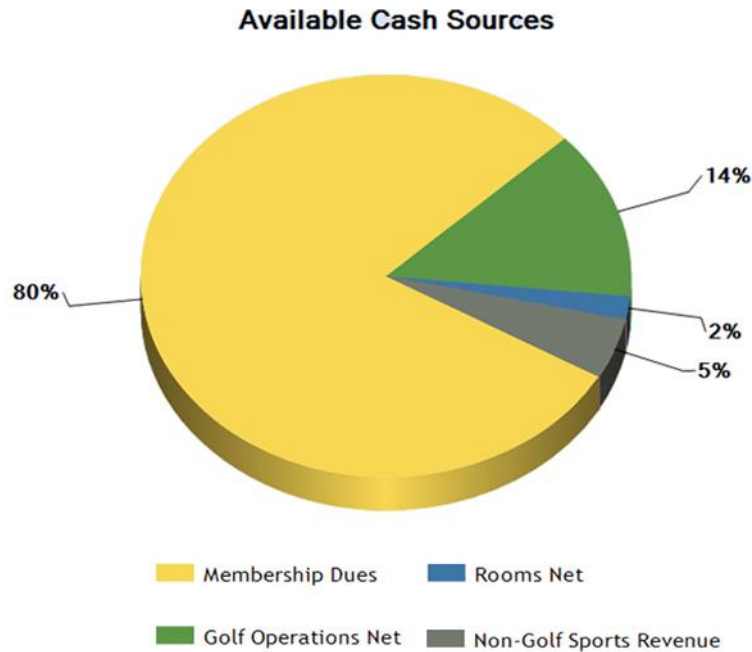


Figure 3 – Sources of Available Cash – Clubs Under \$6 Million With Golf



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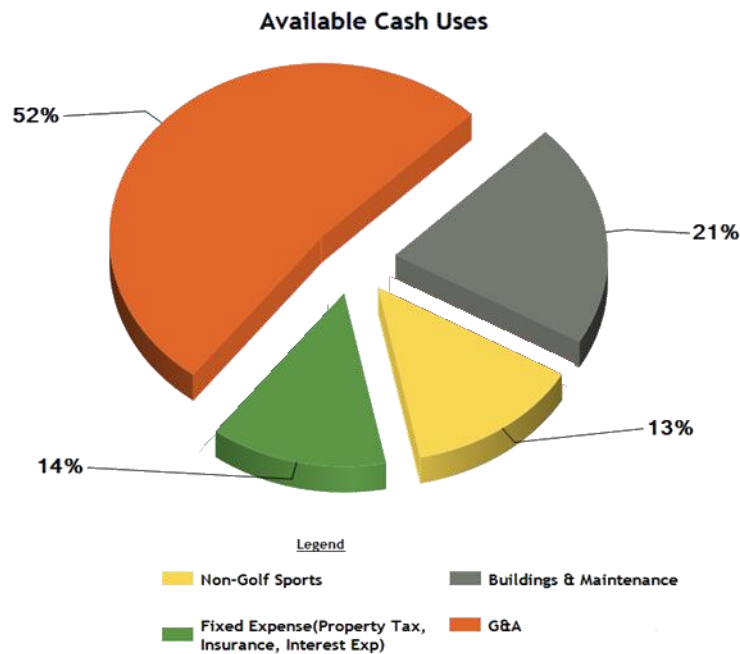
Figure 4 – Sources of Available Cash – Clubs Exceeding \$6 Million With Golf



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Figures 5-8 show the same information for clubs without golf. The proportionate uses do not vary substantially and the sources vary in that the larger clubs without golf tend to have more rooms and a profit from their rooms operation that contributes to Available Cash.

Figure 5 – Uses of Available Cash – Clubs Under \$6 Million and No Golf



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Figure 6 – Uses of Available Cash – Clubs Exceeding \$6 Million and No Golf

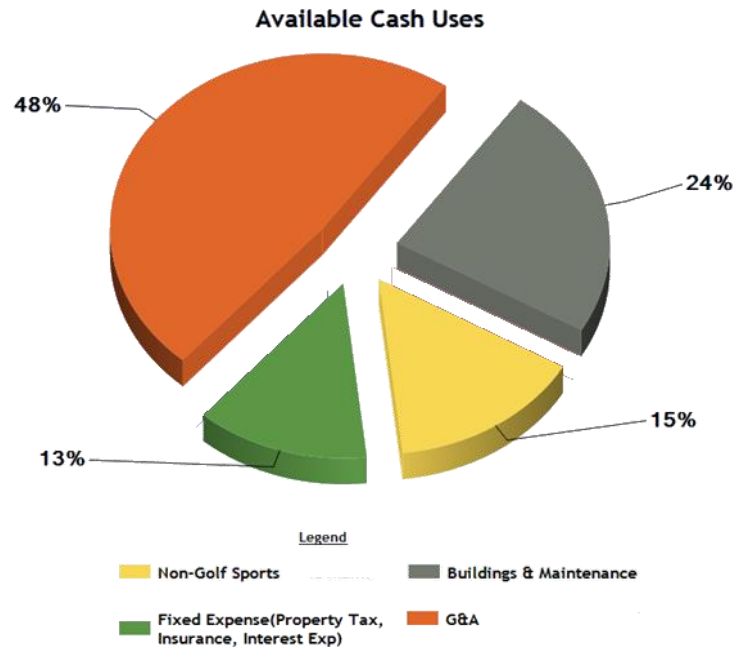
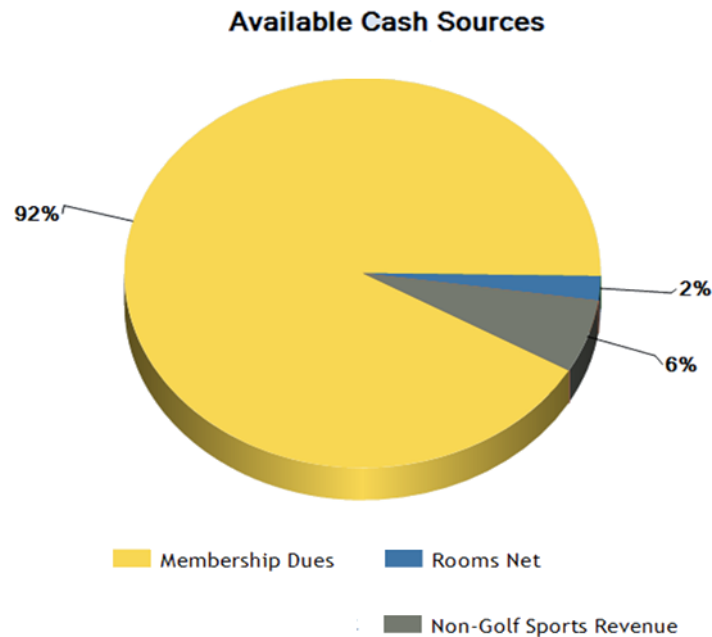
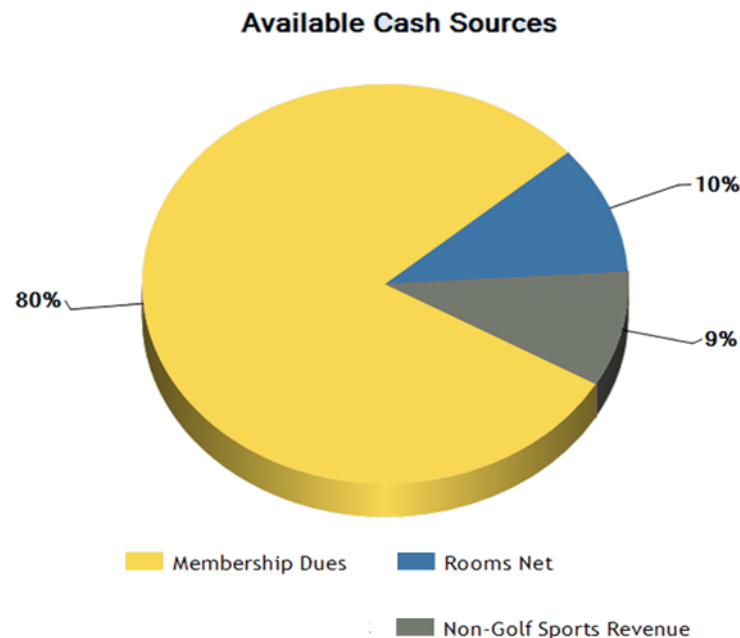


Figure 7 – Sources of Available Cash – Clubs Under \$6 Million and No Golf



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Figure 8 – Sources of Available Cash – Clubs Exceeding \$6 Million and No Golf



Understanding the business model of the industry at large is the first step in gaining strategic control of your club's finances. Clubs may have different personalities and different scale, but they all have the same simple business model properly viewed with Club Benchmarking's Available Cash Model. Club Benchmarking members use the Available Cash Report to easily identify disproportionate uses and sources of cash pointing to anomalies in their club's business model relative to their peers and the industry at large. Once an anomaly is indicated in your club's benchmark, detailed department-level metrics can be used to diagnose the root cause (e.g. G&A headcount is too high, Member dues revenue is too low, etc.). This process allows for diagnosis at the business model-level and correction at the department level where actions can be concrete, rapid and measurable.

The Common Business Model and Geography

Conventional wisdom may lead one to believe that the business model for clubs varies based on where a club is located. The factual data points to the exact opposite conclusion clearly showing the common business model is independent of geography. This conclusion can have significant, positive implications for strategic benchmarking in that you don't have to compare your club to a few clubs next door. You can compare your club's business model to many clubs nationally.

Table 3 summarizes certain data from the Club Benchmarking database regarding key attributes of the Available Cash Model. As can be seen, there is only marginal variation

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from region to region and it is logical to conclude the data supports the thesis of a common club business model which is represented well by the Available Cash Model.

Table 3 – Regional Analysis – Key Available Cash (AC) Metrics

	National	North East	South East	Midwest	South West	West
AC as % of Operating Revenue	60%	60%	60%	56%	60%	62%
Net AC as % of AC	-2%	3%	- 2%	-5%	-3%	-4%
Net F&B Income as % of AC	-3%	0%	-5%	0%	-4%	-5%
Course Maintenance as % of AC	31%	32%	32%	30%	30%	36%
Golf Operations as % of AC	10%	9%	10%	10%	11%	10%
G&A as % of AC	23%	23%	24%	26%	25%	22%
Non-Golf Sports as % of AC	9%	7%	11%	6%	10%	7%
Buildings and Maintenance as % of AC	16%	14%	14%	15%	14%	15%
Fixed Expense as % of AC	10%	12%	9%	12%	10%	9%
Interest Expense as % of AC	3%	4%	3%	5%	3%	2%

The Bottom Line

In addition to understanding sources and uses of Available Cash, it is necessary that your club can quantify the amount of both its Available Cash and its Net Available Cash. Net Available Cash is the difference between your Available Cash and the total Uses of Cash for operations. The total Uses of Cash = G&A + Non-Golf Sports + Fixed Expenses + Buildings Maintenance and Operation + Golf Course Maintenance + Golf Operations Labor (in clubs with Golf).

Figure 9, from Club Benchmarking's Available Cash report, shows the distribution of Available Cash and Net Available Cash across the spectrum of clubs in CB's database at the time of this whitepaper. As you can see, the median club has a Net Cash result of \$57,691 – a small operating surplus. One quarter of the clubs had a significant operating cash burn of more than **-\$190,682** (the 25th percentile) while one quarter of the clubs generated more than \$331,550 (the 75th percentile).

The two circular data points on Figure 9 show one particular club's Available Cash and Net Available Cash. Clearly, this club has a serious problem with their Net Available Cash as indicated by the **-\$525,987** burn. The club's capital assessment and initiation fee income was essentially masking the operational problem that was uncovered in minutes using Club

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Benchmarking's Available Cash Model Report. This same club had a modest loss of \$50,000 in F&B and the board was worked into fervor over the loss. Unfortunately, they were focused on the wrong issue.

Figure 9 – Available Cash and Net Available Cash

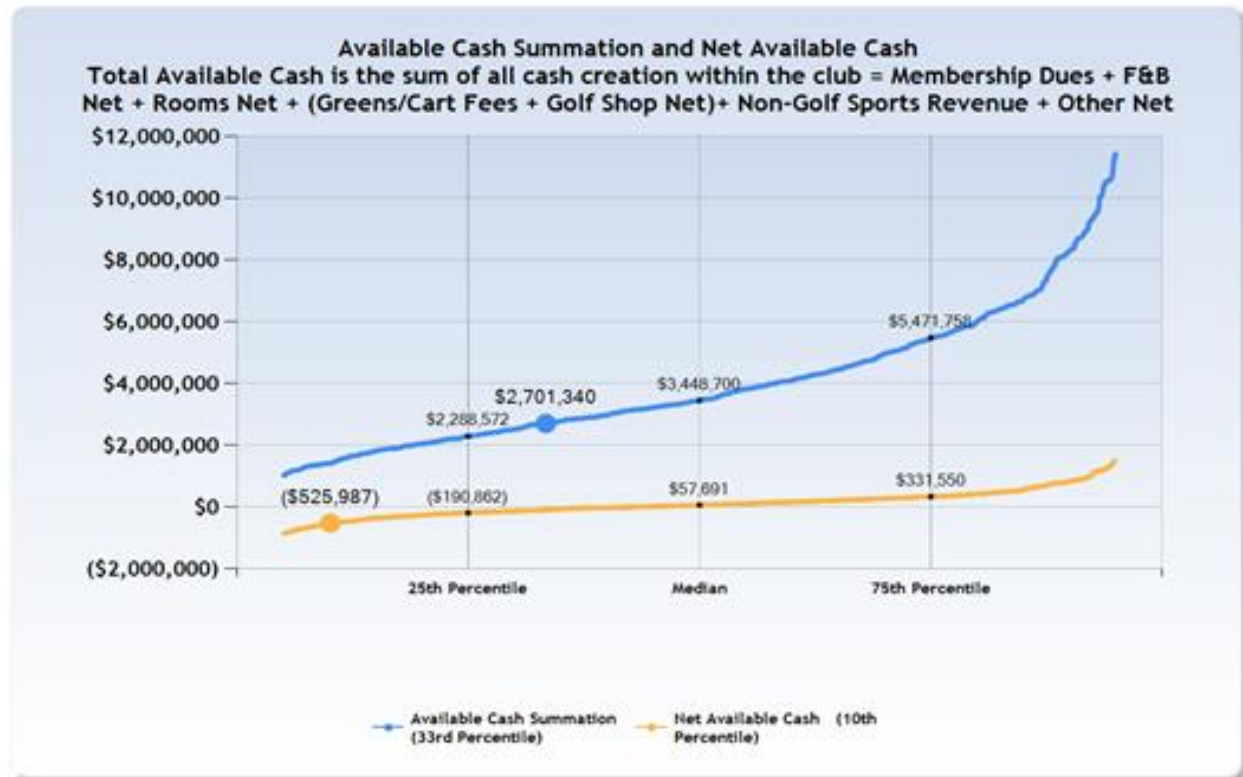
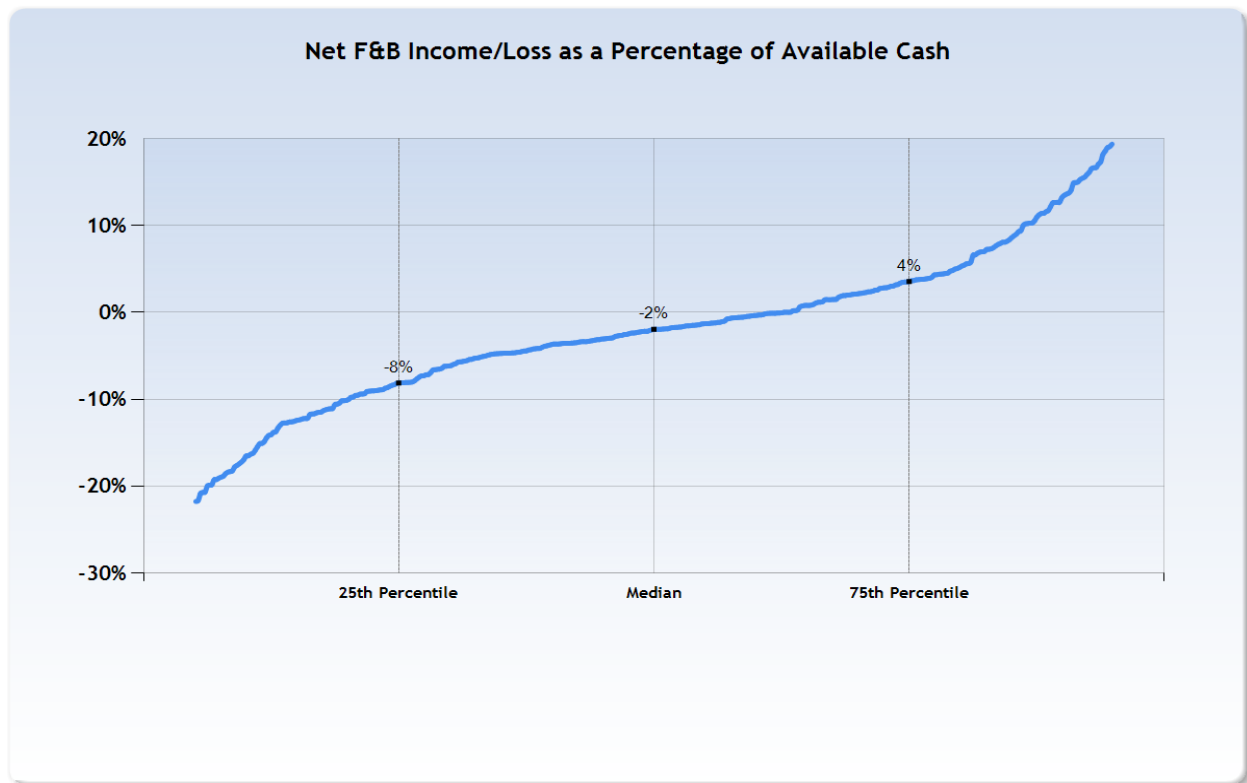


Figure 10 shows the distribution of the ratio of F&B Net to Available Cash for the clubs in CB's database. As can be instantly discerned, the F&B bottom line across the industry is a very small percentage of the Available Cash required to run the club. While you can't let F&B run amok, it has little to do with a club's financial health. More than 70 percent of clubs have an F&B bottom line that contributes less than +/- 10 percent to the club's Available Cash. Board meeting dialogue concerning F&B is not in balance with this fact.

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Figure 10 – F&B Net as a Percentage of Available Cash



Shifting the Dialogue

The primary issue in embarking on a strategic dialogue of your club's finances is nailing down your Available Cash Sources, Uses and Net Available Cash and benchmarking each of them to the industry at large. This task is straightforward and immediate if you employ financial analysis software, like what is available through Club Benchmarking.

If you chose Answer A to the question at the beginning of this section, it is strongly suggested you do an Available Cash Analysis, most simply by using Club Benchmarking and its automated Available Cash reporting. If you find your club's Net Available Cash is in a negative position or you find an imbalance in the proportionate uses of your Available Cash, you will have done your club and its members a great service. You will have decisions to make regarding increasing your Available Cash or allocating it in a different manner, but you will have immediately shifted the dialogue from a tactical F&B centric discussion to the a strategic discussion concerning the Sources and Uses of Available Cash. Your club will be on the right track.

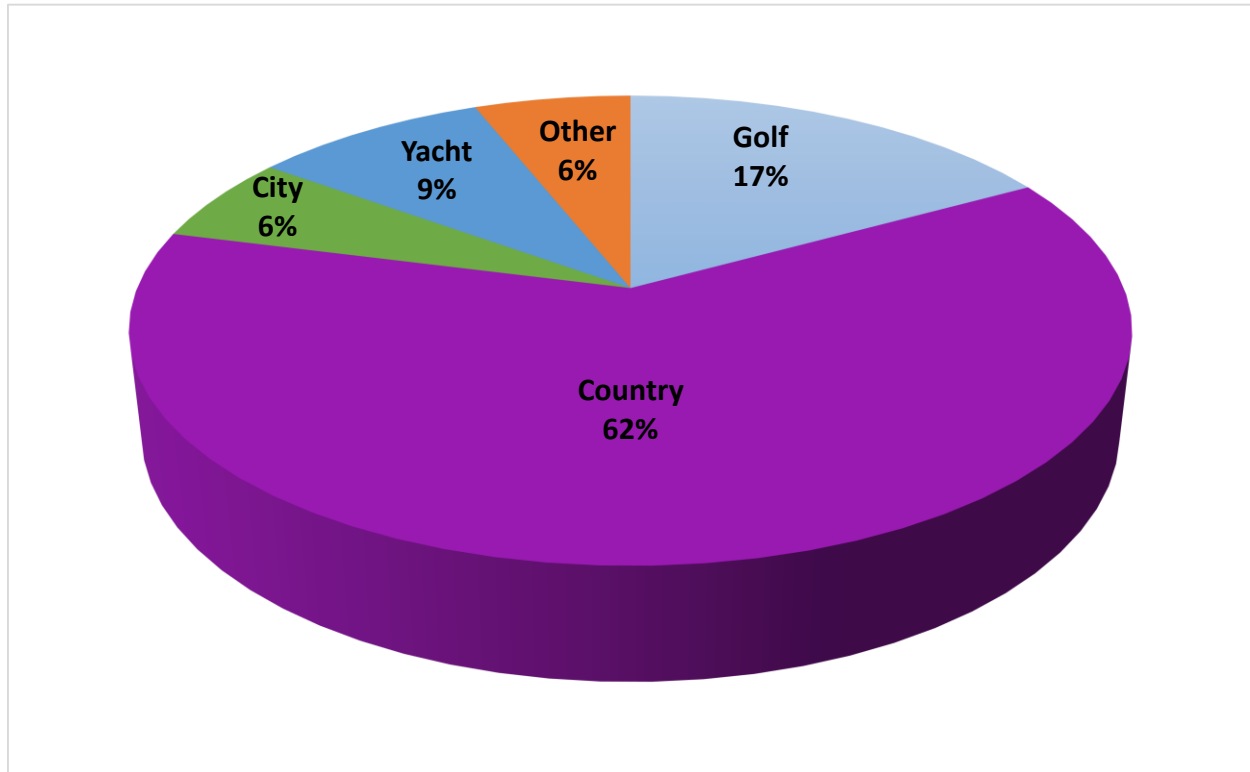
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Section VI – Club and Financial Summary

Club Summary

The types of clubs participating in the survey included country, golf, tennis, yacht, city and others.

Figure 11 – Responding Clubs by Type



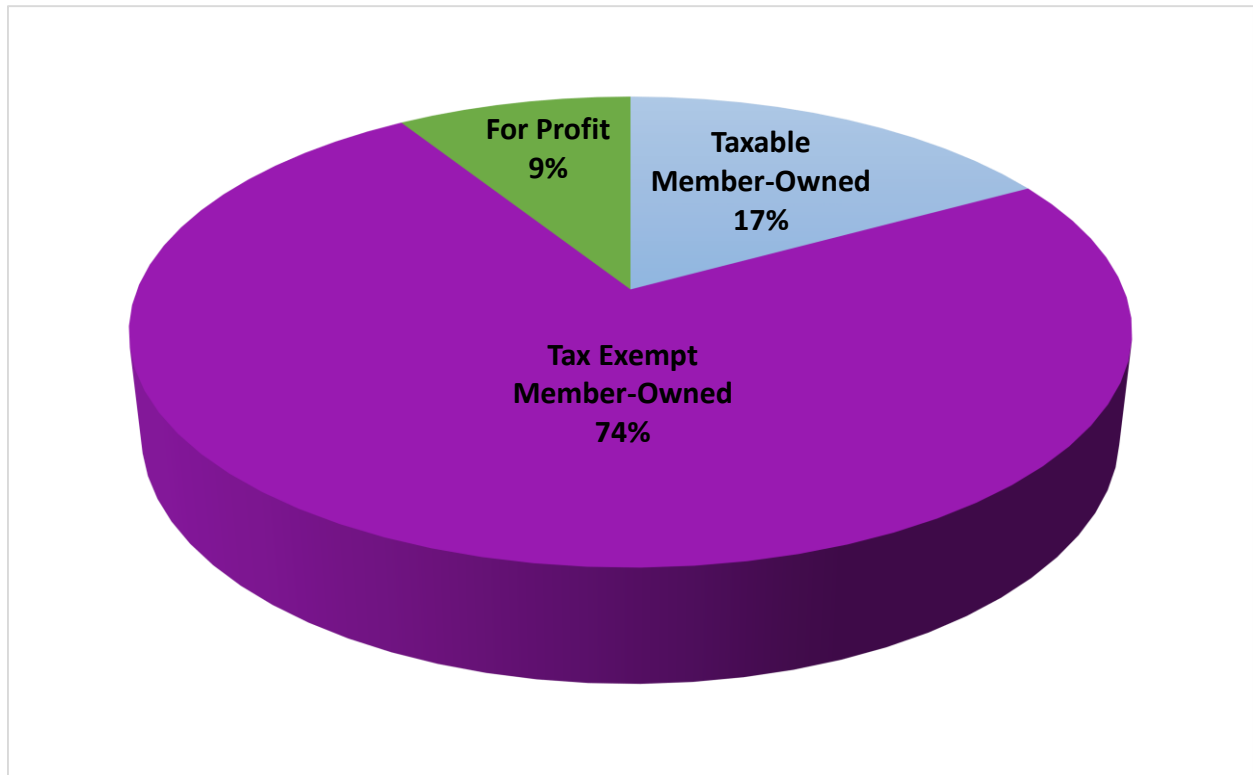
Nineteen percent of the clubs responding are within a gated residential community.

Ninety-six percent of the clubs indicated they were private while four percent indicated they were semi-private.

The distribution of clubs in regard to tax status and who oversees the club operations is detailed below.

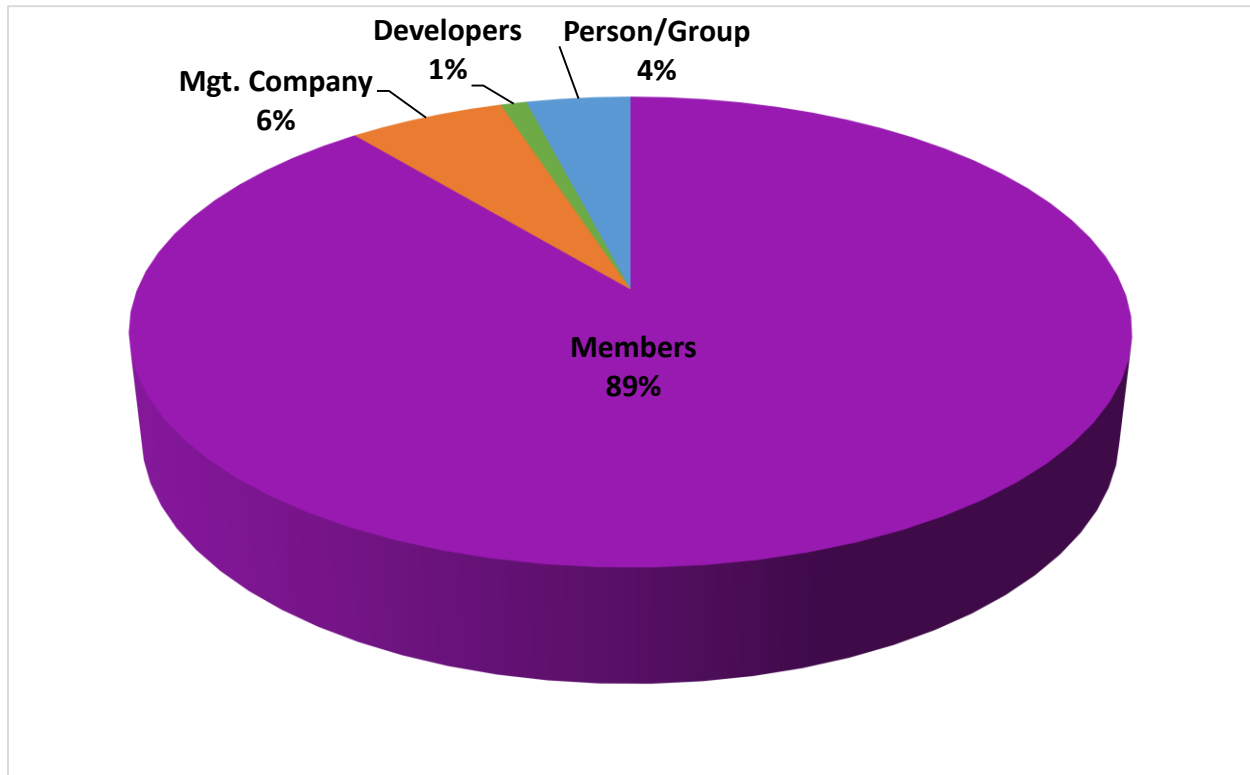
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Figure 12 – Responding Clubs by Tax Status



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Figure 13 – Club Operations Overseen By

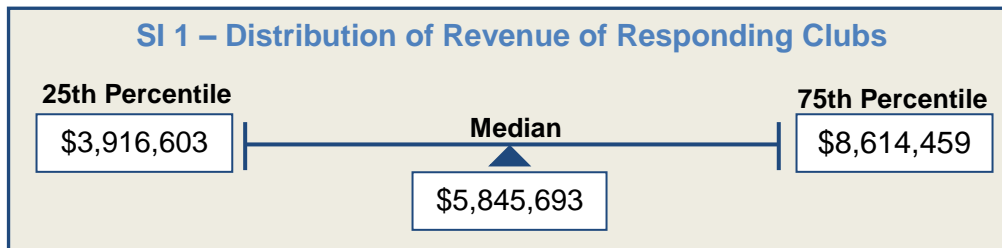


Finance Summary

Statistical Icons (Icon) graphically illustrate the statistical distribution of the responses to the survey. The *2014 CMAA Finance and Operations Report* utilizes these statistical icons to illustrate the results of the survey. Supplemental explanations are included as needed throughout the report. Each of the icons illustrates the statistical data points (quartiles) for each metric.

Icon 1 below shows the variation of Operating Revenue. **Please note – throughout this report, the term “revenue” refers to Operating Revenue. It does not include any capital income such as initiation fees, capital dues/assessments or investment income.**

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Statistical Icon 1 indicates that 25 percent (1/4) of responding clubs had total operating revenue of less than \$3,916,603, 25 percent (1/4) had revenue between \$3,916,603 and the median of \$5,845,693, another 25 percent of clubs had revenue between the median and the 75th percentile of \$8,614,459 and finally 25 percent (1/4) of all responding clubs had revenue exceeding \$8,614,459. The median shows the breakpoint below which 50 percent of clubs fall and above which the other 50 percent of clubs fall. The year-over-year change in the breakpoints was +3.8 percent at the 25th percentile, +2.9 percent at the Median and +2.6 percent at the 75th percentile.

Each year in the report, the natural revenue segmentation break points are presented as shown in Table 4. The percentage of respondents in each quartile has remained very steady over the years.

Table 4 – Club Industry Market Segmentation

Segment	Revenue Range	Median Club Revenue Within Segment	Percentage of Respondents
Small Clubs	\$3,500,000 or Less	\$2,480,313	21%
Lower Mid-Market Clubs	\$3,500,001 - \$6,000,000	\$4,670,077	31%
Upper Mid-Market Clubs	\$6,000,001 - \$9,000,000	\$7,136,454	25%
Large Clubs	Greater Than \$9,000,000	\$12,920,860	23%

This report often refers to the four “natural” revenue segments within the club industry resulting in a logical market segmentation based on business criteria.

There is one other “natural” segmentation in the club industry. Maintaining and operating a golf course obviously has a significant effect on a club’s finances. Other amenities such as Food and Beverage and Fitness are common across nearly every club regardless of whether the club has golf or not. Given that Food and Beverage and other less intensive amenities than golf are common across the broad industry, one clear point of segmentation is whether or not a club has golf.

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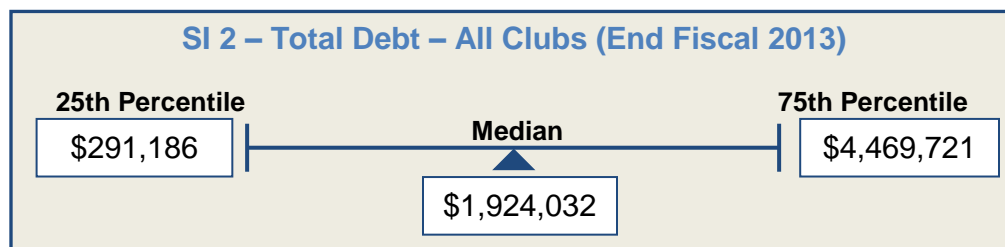
Club Benchmarking's analysis of data led to the development of The Available Cash Model for Clubs. The Available Cash Model is described in Section V of this report. The model shows clearly a common business model in the club industry – clubs are not different. In fact, the operating and financial profiles of clubs are very consistent. The center of consistency is the proportionate sources and uses of cash. **The data shows conclusively that proportionate sources and uses of cash do not vary based on the size or geographic location of a club.** This is a critical finding resulting from having a centralized data-sharing platform for the industry.

Segmentation regarding whether a club maintains and operates a golf club is logical and is also shown by the data to overlay with The Available Cash Model. Essentially, the model has been developed for the two most basic market segments – clubs with golf and clubs without golf.

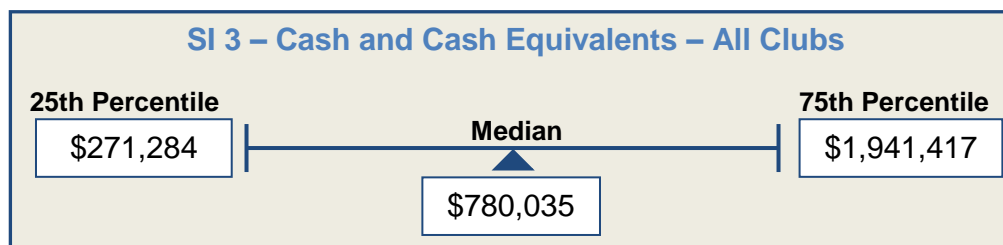
In an attempt to draw out pertinent information for each reader while also discerning meaningful differences between segments, this report will carry forward investigation and presentation of statistics and the business model based on revenue segmentation and the segmentation as to whether a club does or does not have golf. You will want to pay particular attention to the analysis of your club's market segment throughout the report.

Balance Sheet and Capital

In this section, analysis of selected, critical balance sheet metrics are presented.



Icon 2 depicts the distribution of total debt across the club industry and Icon 3 shows the distribution of cash and cash equivalents with 25 percent of responding clubs having less than \$271,284 cash on hand at the end of 2013.

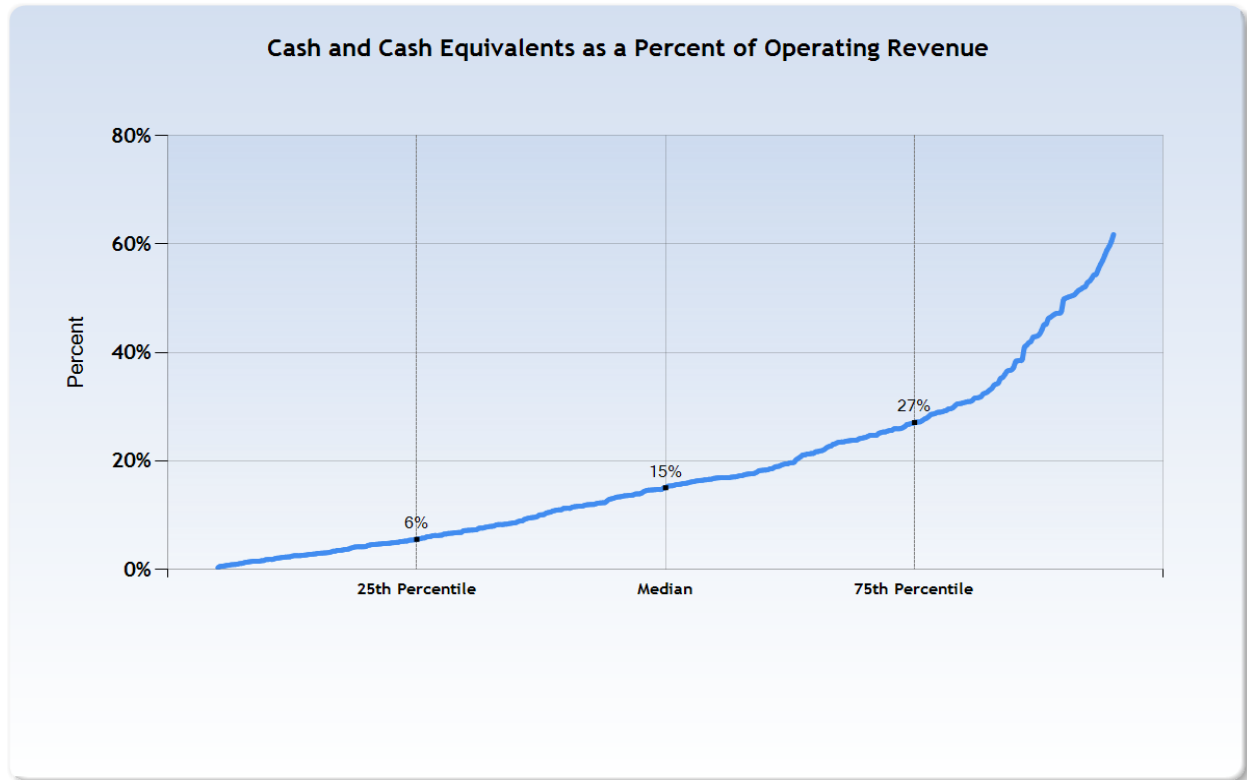


Referring to Icons 2 and 3 above, the reader should consider where their own club lies.

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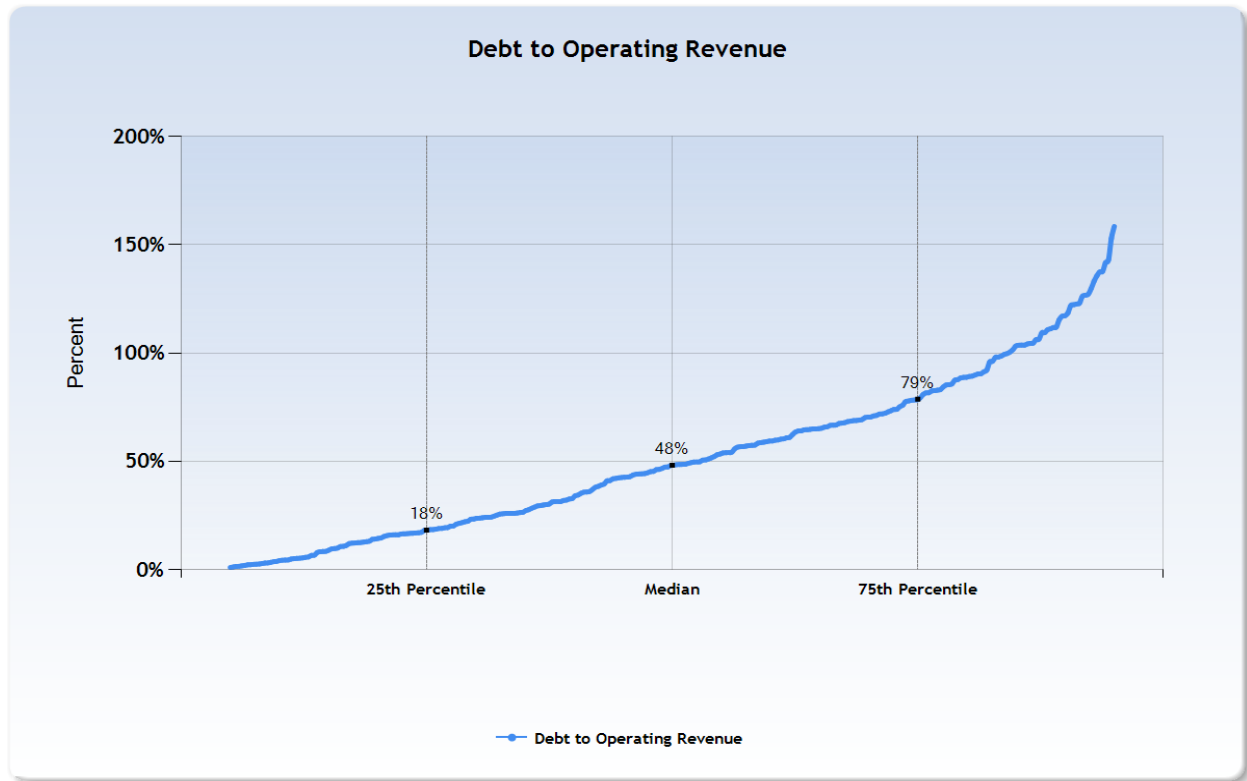
Figures 14 and 15 below show the distribution of Cash as a Percentage of Operating Revenue and the ratio of Total Debt to Operating Revenue.

Figure 14 – Cash and Cash Equivalents on Hand as a Percent of Operating Revenue



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Figure 15 – Total Debt to Operating Revenue Ratio



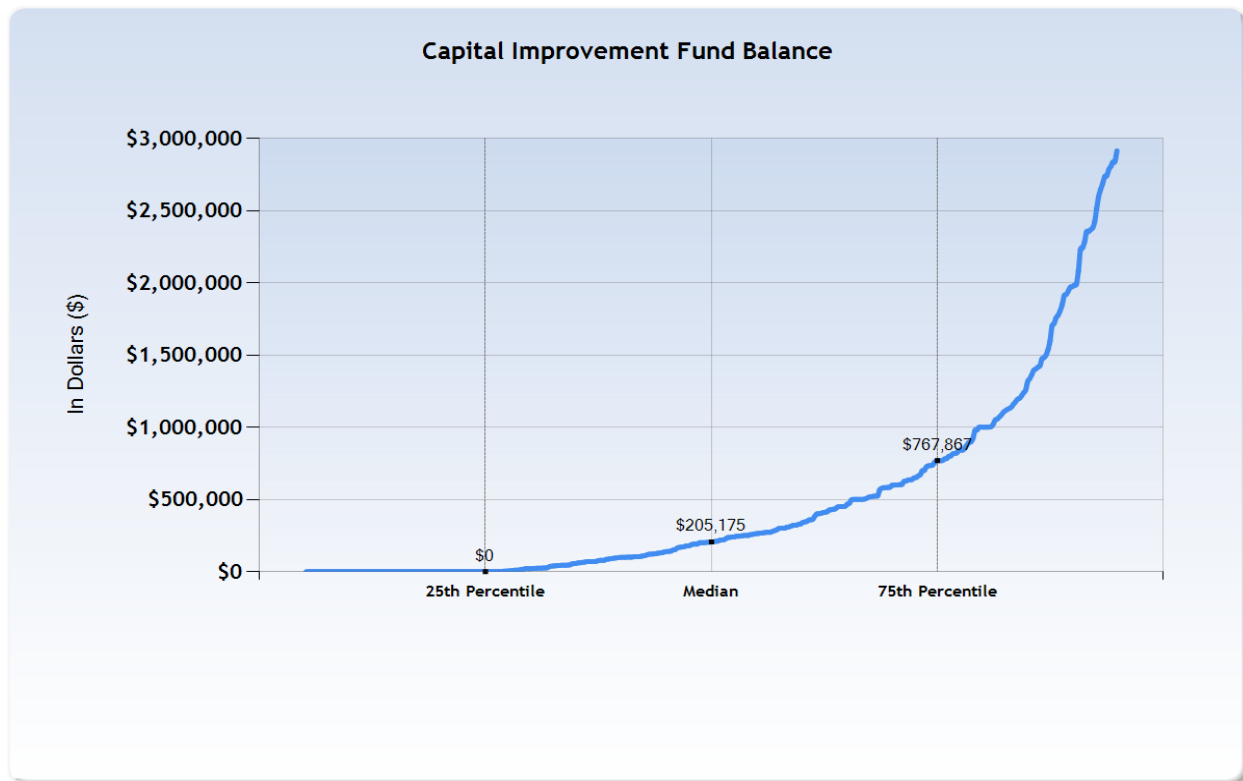
Funding of Capital Investment

Sixty-three percent of responding clubs report having a capital improvement fund. There is no meaningful variation across market segments based on revenue segment or club type in relation to this statistic.

Figure 16 shows the distribution of the amount of money in the capital improvement fund for those clubs indicating having such a fund. As can be seen, one quarter of the clubs with a fund have no money in the fund.

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Figure 16 – Capital Improvement Fund Balance



There is a near equal split between clubs purchasing capital equipment outright and those that blend purchasing and leasing of capital equipment. The split remains consistent with no significant variation based on market segment or club type.

Purchase (40 percent)
Lease (6 percent)
Both (54 percent)

Uniform Income Statement

The Uniform Income Statement (UIS) section in Club Benchmarking drives all clubs to a common income statement based on the [Uniform System of Financial Reporting for Clubs \(USFRC\)](#). The UIS, as well as all other metrics in the database, are designed to drive a consistent framework and an “apples to apples” view of club finances and operations.

Coupled with this common framework is the Available Cash Model. The Available Cash Model delivers a compelling view of the sources and uses of the cash available to operate a club. As was detailed in the previous section presenting the Available Cash Model, care must be taken to understand the difference between revenue and Available Cash (which can also be considered Gross Profit). In a club, there is a great disparity in the margin

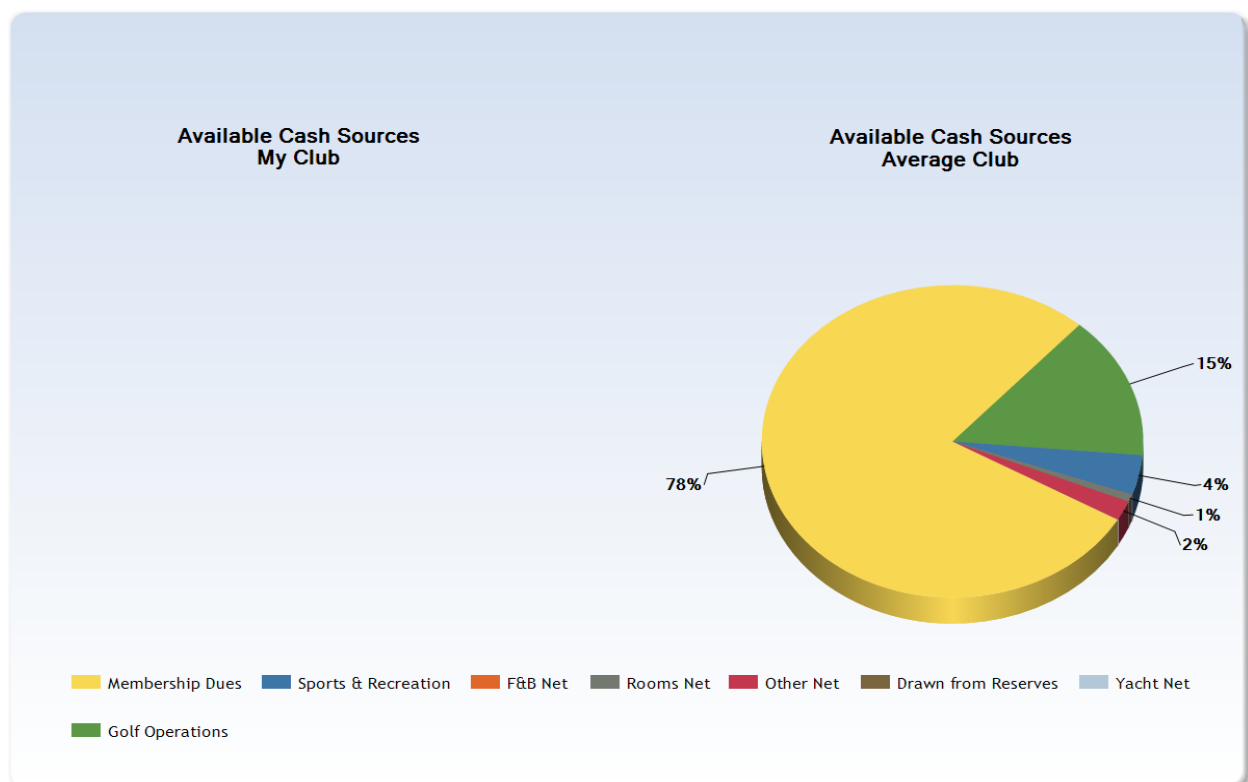
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associated with various revenues. Dues revenue comes with 100 percent gross margin – no Cost of Goods Sold (COGS), while F&B revenue comes with no gross margin at the average club (the COGS including labor is greater than the revenue). As a result, picturing a club's financial resources based on revenue is a faulty picture. One must be completely aware of the gross profit or contribution generated from the revenue. It is the contribution that is the source of the funds to operate the club. That premise is the heart of the Available Cash Model and the Proportionate Sources and Uses of Cash.

Each of the following Figures presents a pie chart that has been produced automatically by the Club Benchmarking platform. The pie chart shows the proportionate sources and uses of cash for clubs with golf, city clubs and yacht clubs. Each of the pie charts shows a blank for My Club – a pie chart for a given club would exist in that slot if the report were generated by a CB subscriber. That club could then compare instantly its own proportionate sources and uses of Available Cash in relation to the industry norm.

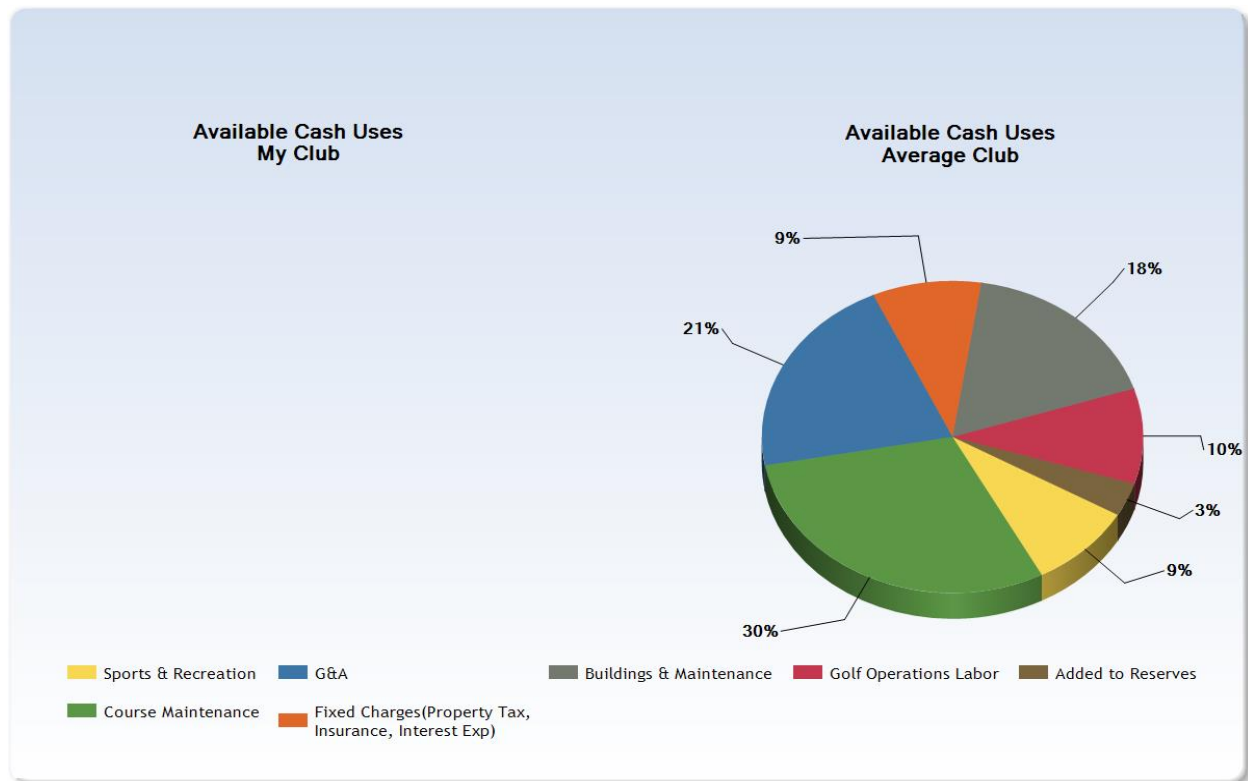
Clarity as to the meaning of each of the below charts is derived by understanding Section V of this report.

Figure 17 – Sources of Cash – Clubs With Golf



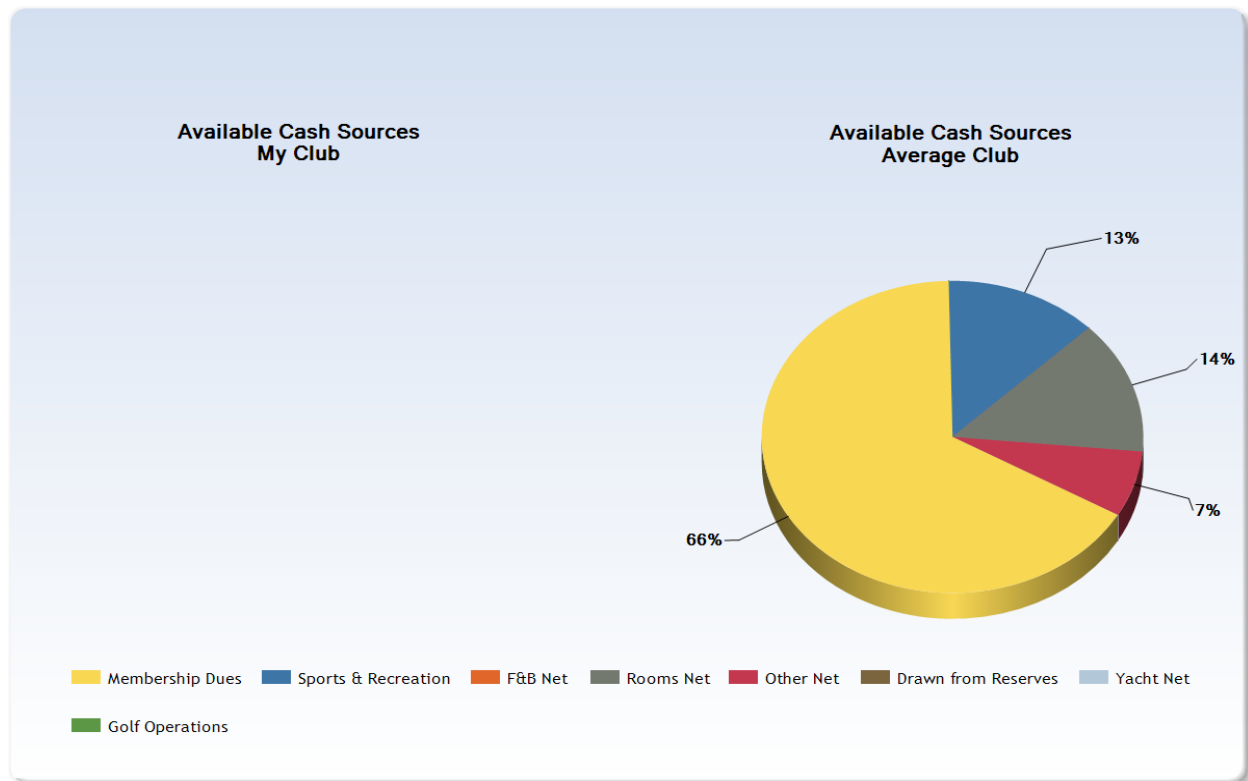
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Figure 18 – Uses of Cash – Clubs With Golf



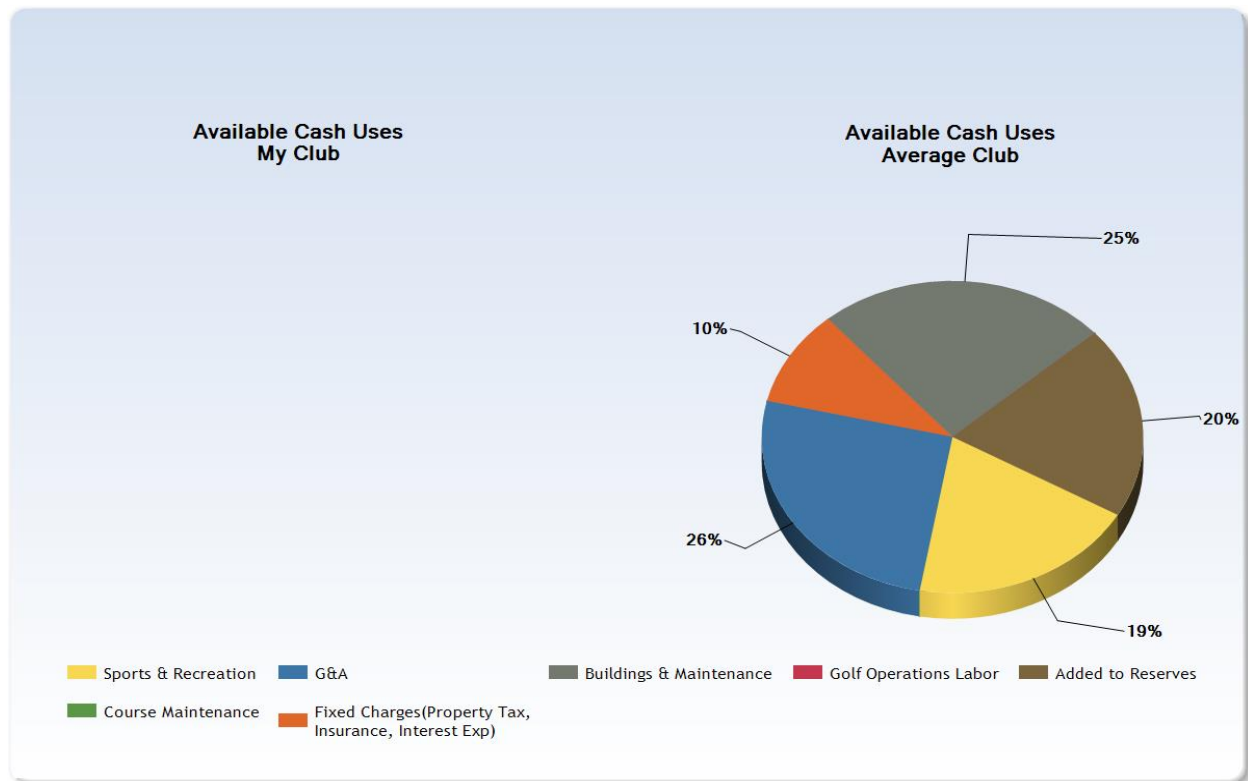
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Figure 19 – Sources of Cash – City Clubs



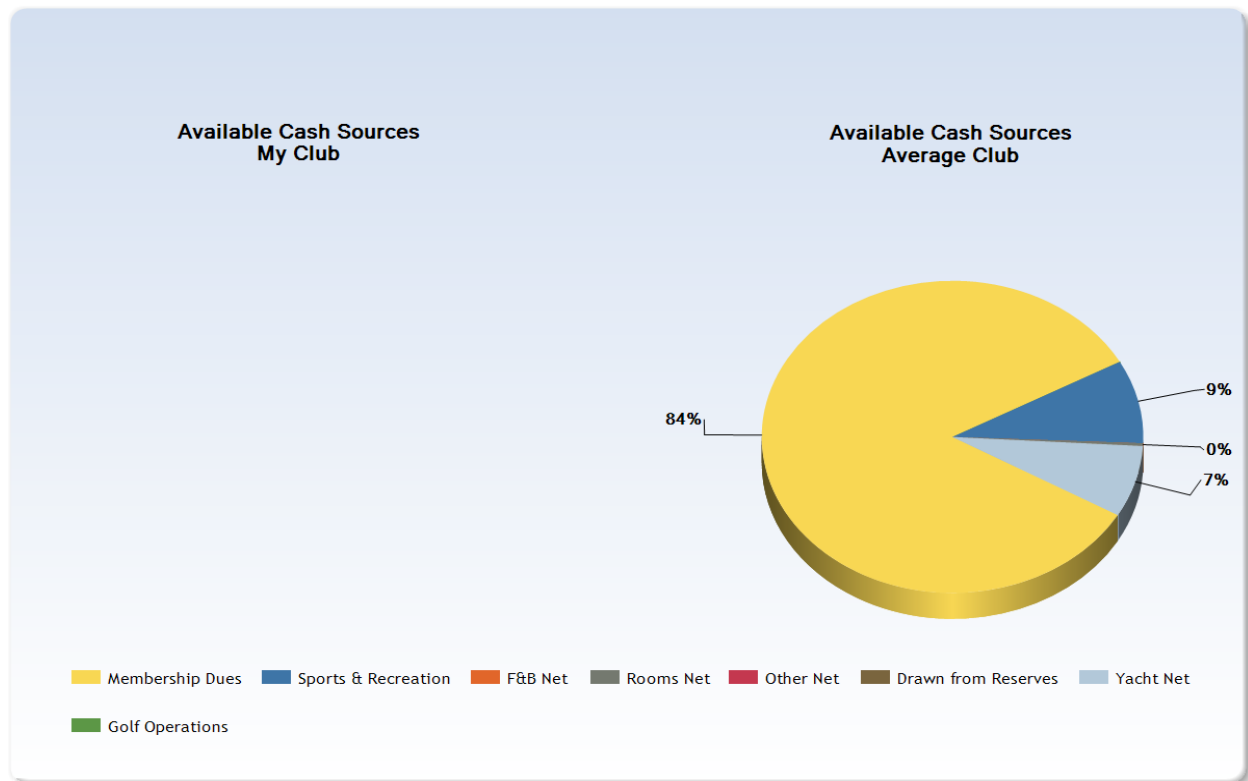
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Figure 20 – Uses of Cash – City Clubs



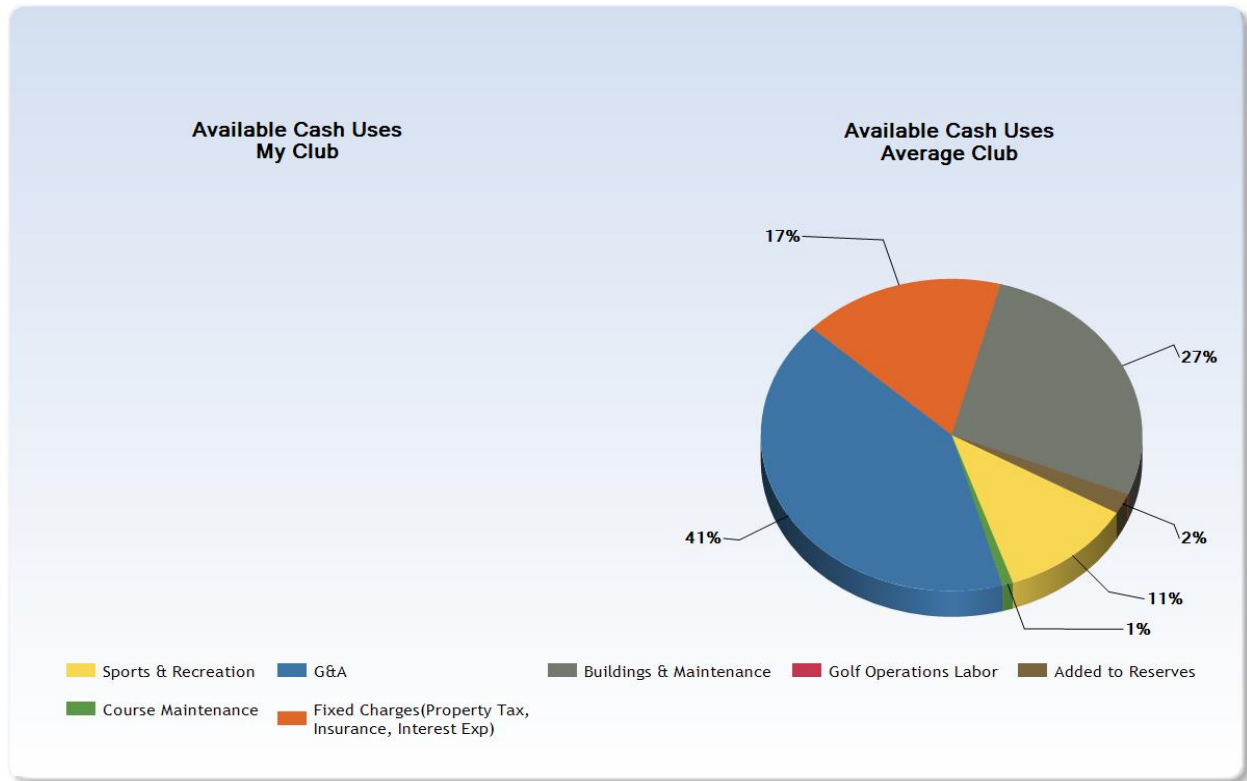
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Figure 21 – Sources of Cash – Yacht Clubs



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Figure 22 – Uses of Cash – Yacht Clubs



There are a few clear takeaways from the charts above:

Dues drive the Available Cash regardless of club type. Dues are 78 percent of Available Cash in clubs with golf, 84 percent in yacht clubs and 66 percent in city clubs.

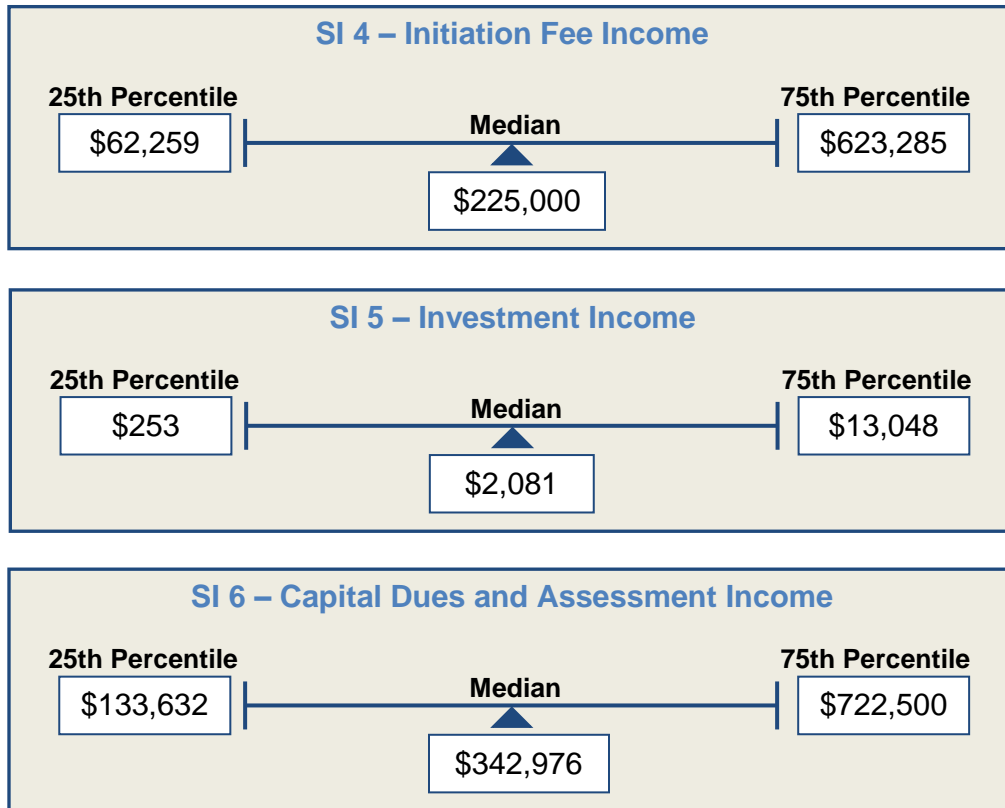
The sources and uses of cash are common across the three club types with the exception of the functions related to golf in clubs with golf.

Understanding the proportionate sources and uses of Available Cash is the common, strategic framework for managing a club's finances and driving a strategic approach to budgeting.

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Capital Income

Statistical Icons 4-6 show the distribution of Capital Income across all respondents.



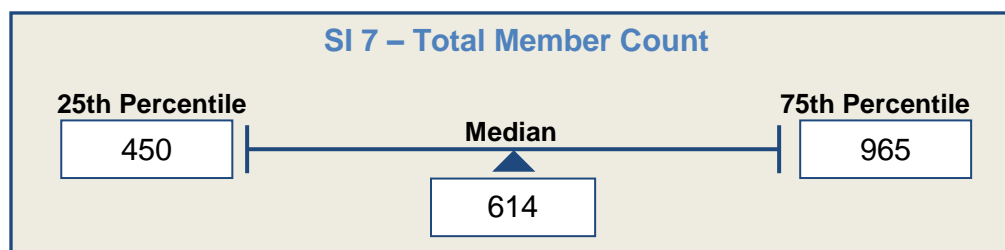
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Section VII – Membership

This Membership section covers membership statistics and cost of membership. The section on *Membership Statistics* covers the number of members in clubs and the membership within the various categories. The section on *Cost of Membership* covers the various charges for joining and being a member at the responding clubs.

Membership Statistics

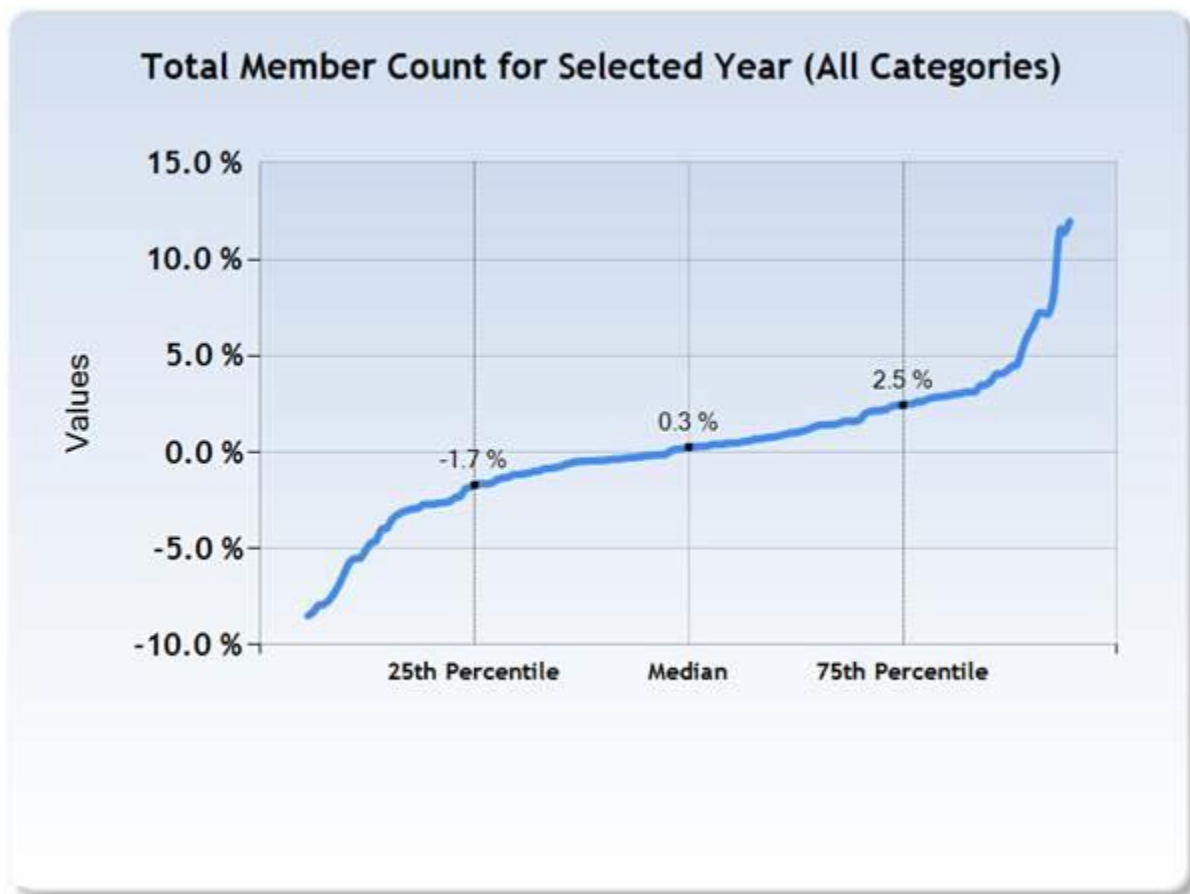
Icon 7 shows the distribution of total member count for all responding clubs. The median total member count for all clubs responding to the 2014 survey is 614. The median from the 2013 survey was 642 members. In the 2014 survey, the 25th percentile was 450 and the 75th percentile was 965. In the 2013 survey report, the 25th and 75th percentiles were 481 and 1,006 respectively. All quartile breakpoints showed a decrease from the 2013 survey. The change is not necessarily reflective of a decreasing member count in clubs; it can be as a result of different clubs responding to this year's survey.



Digging a little deeper on year-over-year change in member counts, Figure 23 below shows the year-over-year change for clubs that responded to both the 2014 and the 2013 surveys. The data is indicative of great variation across the industry. Half of the clubs experienced growth in membership. In 25 percent of clubs there was *significant* growth in membership. Unfortunately, on the other side of the coin, 40 percent of clubs saw a decrease in member count and 25 percent of clubs saw a decrease of 1.7 percent or more in member count. The data confirms the view that a segment of the industry remains under stress.

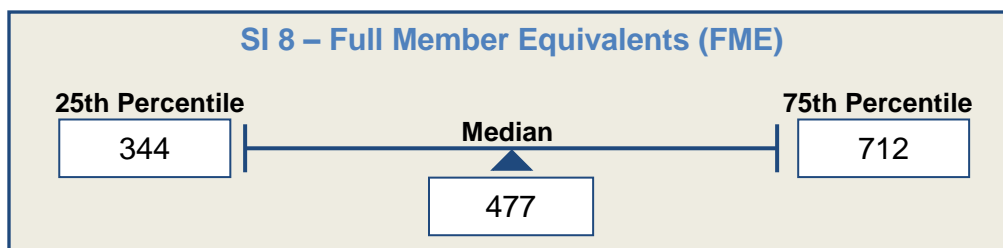
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Figure 23 – Year-Over-Year Change in Member Count



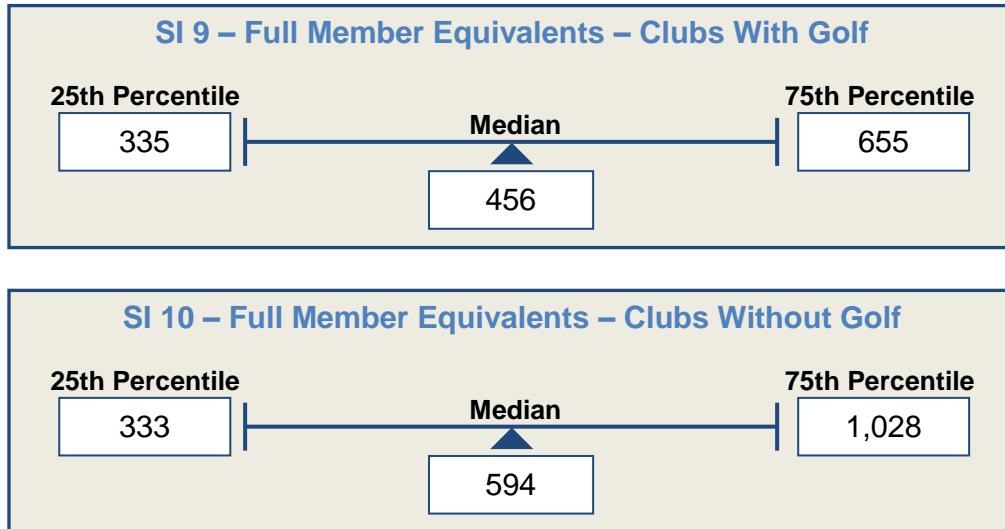
In an effort to drive “apples to apples” comparison and key ratios on a per member basis, Club Benchmarking uses Full Member Equivalents (FME). FME is derived by taking the total membership dues revenue and dividing it by the annual dues for the “full membership” category as defined in the CMAA and Club Benchmarking survey ($FME = \text{Total Dues Revenue} / \text{Full Member Annual Dues}$).

Statistical Icon 8 below shows the distribution for FME. The quartile breakpoints for the 2013 survey were 330, 477 and 742 respectively. Again, the change can be the result of different clubs responding.



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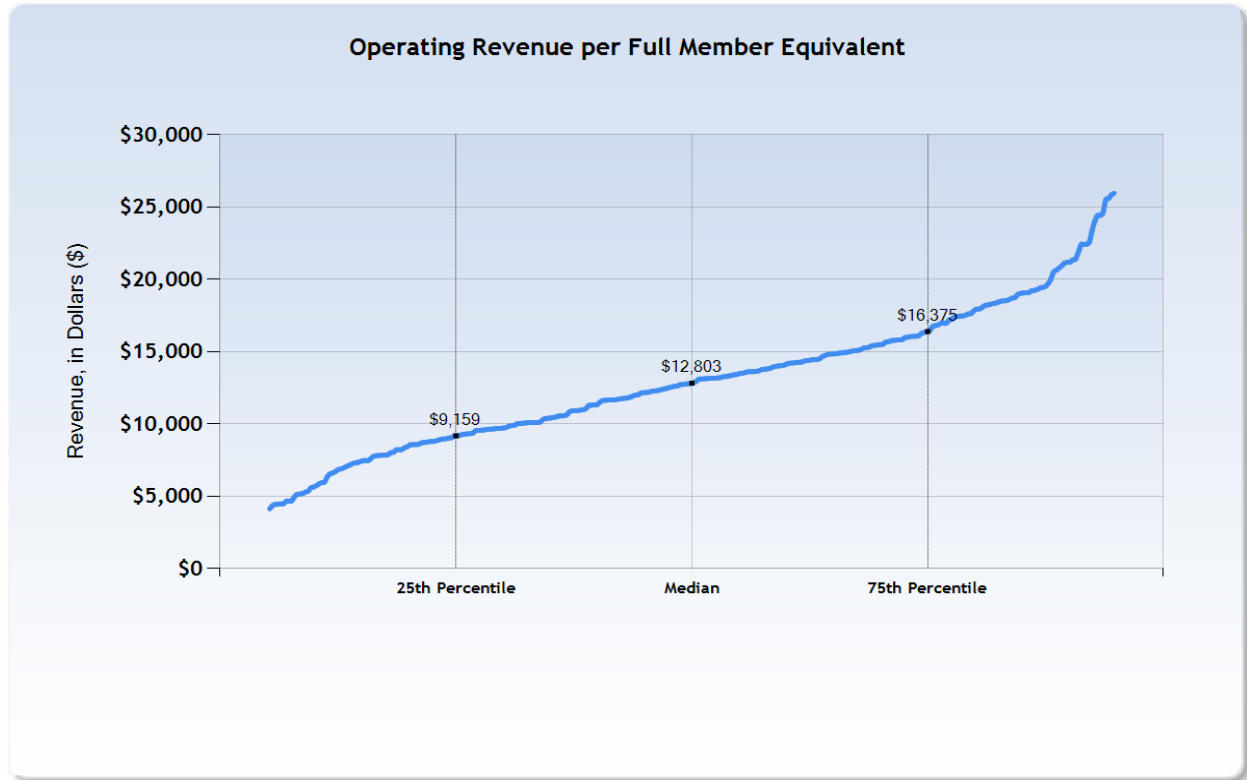
Icons 9 and 10 show the distribution of total member count for clubs with golf and clubs that do not have golf.



Given the clear correlation between membership count and total revenue, Figure 24 shows the distribution of revenue per Full Member Equivalent (FME) across all market segments. To be clear, operating revenue does not include any capital income meaning no initiation fee income, capital dues/assessment income or investment income. The breakpoints in 2013 were \$9,412 (25th Percentile), \$13,256 (Median) and \$16,760 (75th Percentile).

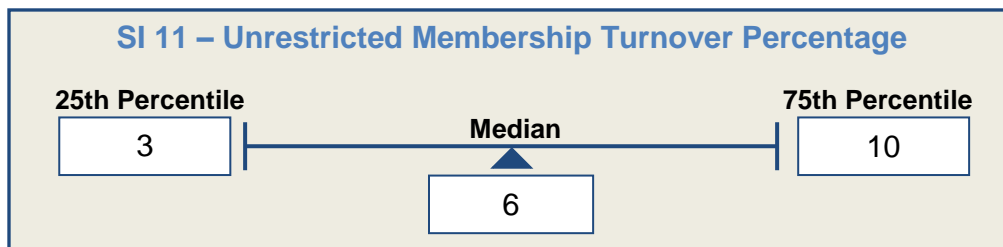
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Figure 24 – Distribution of Total Revenue Per Full Member Equivalent – All Respondents



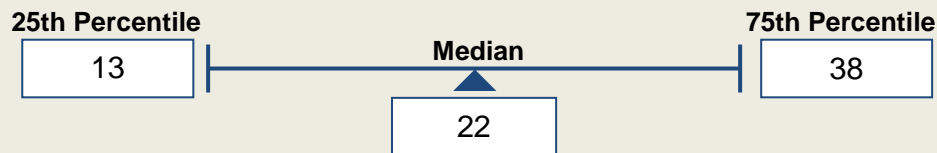
Membership Turnover Statistics

Icons 11–13 show the key statistics for membership turnover. The data collected is focused only on turnover in the “Full or Unrestricted” membership category. As can be seen in Icon 11, the club at the median experienced six percent turnover in the Full Member category. The turnover measurement is based on member exits ($\text{Turnover} = \frac{\text{Full Member Exits}}{\text{Total Full Members}}$). The breakpoints for Membership Turnover in the 2013 report were 2, 5 and 8 percent respectively. Icons 12 and 13 show the distribution of the quantity of relinquished memberships and new activations in this category.

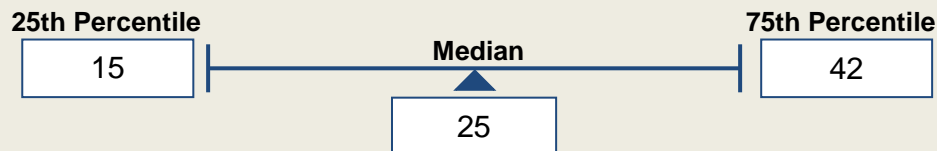


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SI 12 – Number of Relinquished Unrestricted Memberships



SI 13 – Number of New Unrestricted Membership Activations



Age of Membership Statistics

The average age of membership does not vary based on club type or club revenue market segment. The median for average member age at all responding clubs is 58 years.

Table 5 shows the distribution of age demographics for all responding clubs. The table depicts the percentage of the membership comprised of the given age grouping. These numbers show the variation in percentages across all respondents by age group.

Table 5 – Distribution of Membership Age

Age Group	25 Percent of Clubs (Have less than ____ in this group)	50 Percent of Clubs (Have between ____ & ____ in this group)	25 Percent of Clubs (Have more than ____ in this group)
22 – 30 Years	1%	1% and 5%	5%
31 – 45 Years	10%	10% and 21%	21%
46 – 60 Years	27%	27% and 39%	39%
61 – 80 Years	27%	27% and 43%	43%
More Than 80 Years	4%	4% and 12%	12%

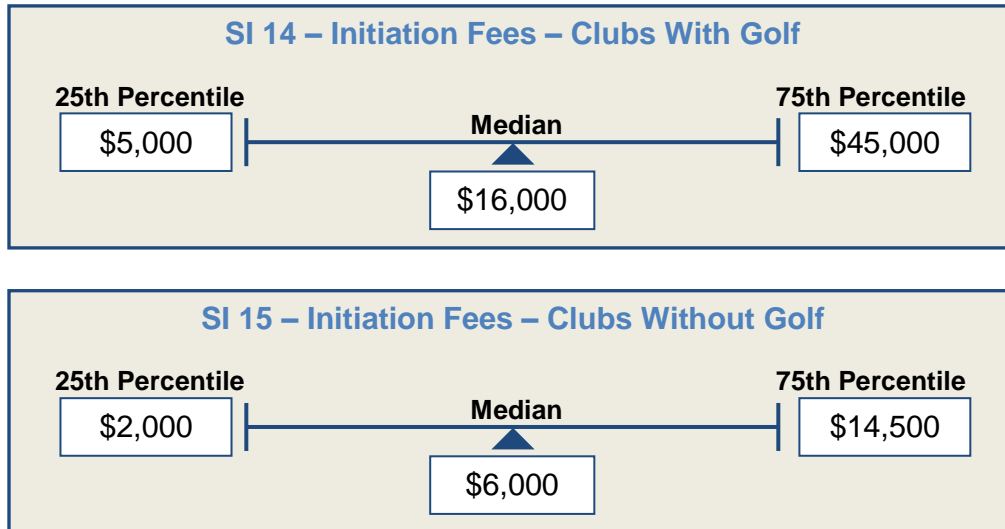
Cost of Membership

This section will undertake analysis of the cost of membership by looking at initiation fees and recurring fees for the “Family Case” scenario presented in the survey. This scenario requests the fees for a family composed of a primary member (age represents typical age of a primary member), a spouse and three children ages 9, 12 and 16. The items for which the fees were requested included initiation fees, annual dues, annualized minimum spending requirement, capital dues and special capital assessment and any house charge (level service fee) if one is levied.

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Initiation Fees

Icons 14 and 15 show the distribution of initiation fees for Clubs With and Without Golf respectively.



The year-over-year change in Initiation Fees shows a decline at all breakpoints. The change is most likely a result of the mix of responding clubs as opposed to a dramatic change at a given club. However, for clubs that responded in both this and last year's survey Figure 25 below shows most held their initiation fee steady with about 5 percent dropping the fee and about 5 percent increasing it.

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Figure 25 – Percent Change in Initiation Fee at Clubs Responding in 2014 and 2013



Membership Dues and Recurring Fees

The data presented below is the median for each of the recurring annual fee items. Table 6 shows the median fees for clubs with golf by revenue market segment. Table 7 shows the median fees for city/athletic clubs and yacht clubs.

Table 6 – Recurring Fees at Clubs With Golf by Revenue Market Segment

Fee	Median by Market Segment			
	Small (0-\$3.5M)	Lower-Mid (\$3.5-\$6.0M)	Upper-Mid (\$6.0-\$9.0M)	Large (Greater Than \$9.0M)
Annual Dues	\$4,740	\$6,120	\$7,104	\$7,440
Annual Minimum F&B Spend	\$600	\$750	\$800	\$600
Capital Dues	\$360	\$420	\$558	\$420

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Table 7 – Recurring Fees by Club Type

Fee	Median by Club Type	
	City Clubs	Yacht Clubs
Annual Dues	\$3,000	\$2,595
Annual Minimum F&B Spend	\$0	\$450

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Section VIII – Food and Beverage

Overview

The Food and Beverage (F&B) portion of the Club Benchmarking database is composed of three sections: Financial metrics, Operational metrics and a Market Basket. The financial section covers the financial results of F&B; revenue from á la carte and banquet operations with expenses including payroll (salaries and wages and payroll taxes and benefits), uniforms laundry and linens, equipment maintenance and repair, entertainment and other F&B expenses. The Operational section includes metrics covering cover counts, number of banquets, service charges and Full Time Equivalent (FTE) employees. Finally, the market basket section covers the pricing for an array of six common beverage items and five common food items.

Impact of F&B on Club Finances

As documented in Section V of this report on the Available Cash Model, the most critical strategic issue regarding Food and Beverage is the ability to put your club's F&B results into financial context. Club Benchmarking's Available Cash Model definitively answers the age old question as to whether F&B is an amenity or a profit center. The data shows conclusively that F&B is an amenity, not a profit center. An extremely detailed analysis of the impact of F&B can be found in the CMAA Finance and Operations Report published in 2012.

In far too many clubs, the board perceives governance as centering on asking the question "why don't we make more money in F&B?" The question is asked in clubs throughout the industry regardless of size or level of quality.

The Available Cash Model delivers context for the financial implications of F&B by measuring the bottom line in F&B (be it deficit or surplus) as a proportion of the Available Cash a club has to operate. Figure 26 shows the distribution of F&B Income as a Percentage of Available Cash across the industry. As can be seen from the chart, in 80 percent of the clubs in the industry F&B's bottom line represents less than 10 percent of the cash a club has to operate – with the clear bias towards subsidizing an F&B deficit. The club at the median uses three percent of the cash it has to operate to subsidize its F&B deficit. Fifty percent of the clubs in the industry range between using eight percent of the club's operating cash to subsidize a deficit to generating a mere one percent of the club's operating cash as a result of an F&B surplus.

Too often, club boards focus on the F&B operation as though it has a significant effect on a club's finances. The data in Figure 26 proves conclusively that for 80 percent of the clubs in the industry, F&B has a minimal effect on a club's finances. Misplaced focus on F&B obfuscates the real financial issues in a club, be they dues revenue or the use of cash on various other functional areas such as G&A, Buildings Maintenance & Operation, Course Maintenance, etc. Club managers must, armed with proper facts, wrestle control of this issue in the boardroom and lead the board to focus on the financial issues of strategic

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significance. For the vast majority of clubs, the financial results of F&B are NOT a strategic issue. The qualitative aspect of the F&B operation – especially F&B's effect on the social atmosphere of the club and its ability to help attract and retain members – is a strategic issue.

The Available Cash Model has been proven to be a fact-based framework that can serve as a catalyst for shifting the financial dialogue away from F&B to where it matters. The most effective approach to shifting the dialogue is to understand the Available Cash Model and Figure 26.

The financial and operating metrics presented in the remainder of this section should all be viewed with the strategic perspective of understanding F&B as an amenity as opposed to a profit center.

Figure 26 – Distribution of F&B Bottom Line as a Proportion of Available Cash – All Respondents

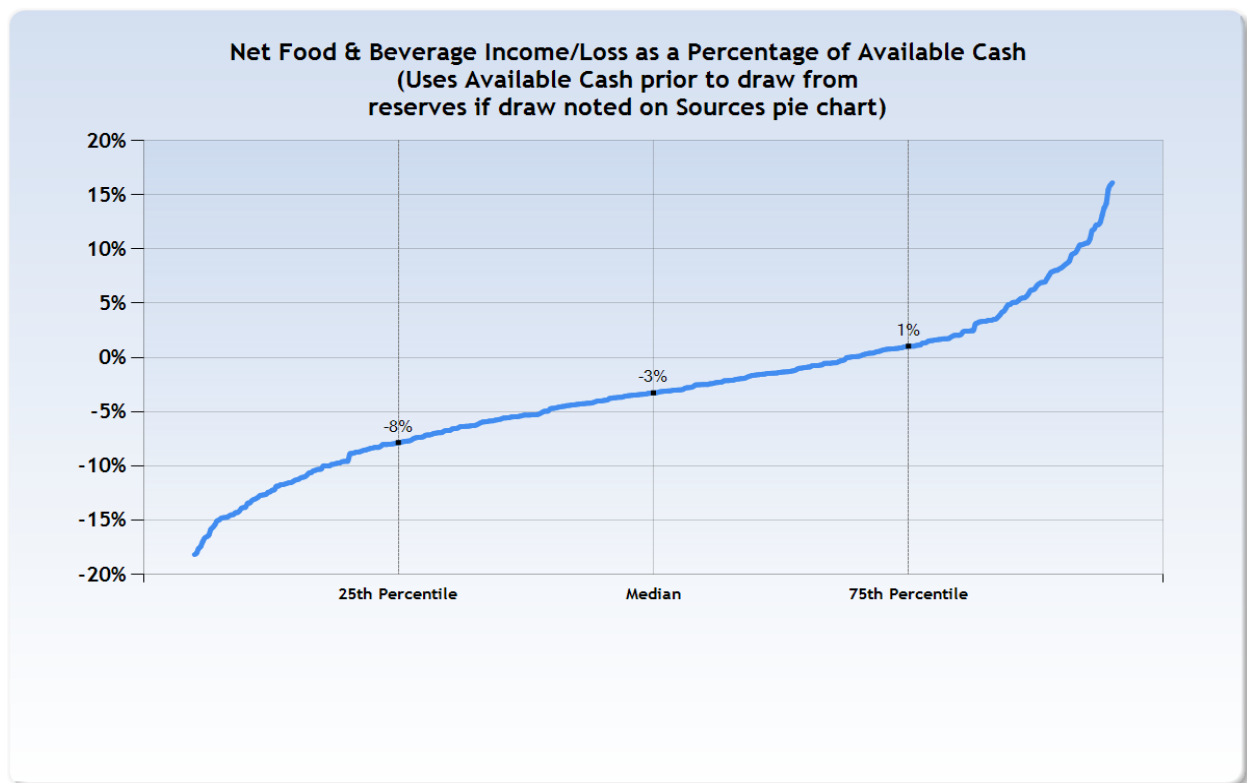


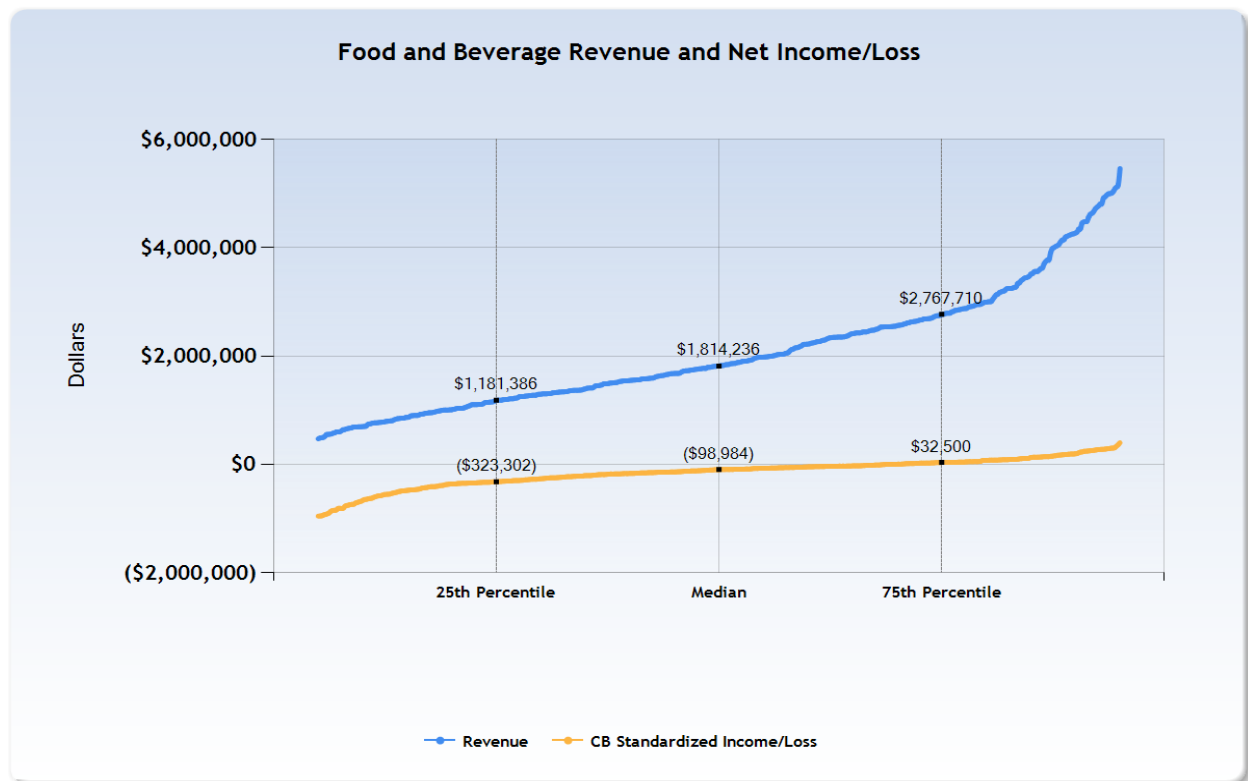
Figure 27 shows the distribution of absolute results of F&B operations in terms of revenue and net income for all respondents. One line shows the distribution of total F&B revenue while the other line shows the distribution of F&B income or loss. Each of the lines shows

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the 25th and 75th percentiles and the median (the chart extends from the 5th to the 95th percentile).

The figure shows \$1,814,236 as the median for F&B revenue and a deficit of \$98,984 in F&B operations. Half of the respondents had F&B revenue above the median and half had revenue below, while half had deficits greater than the median of \$98,984 and half had a smaller deficit than \$98,984 ranging to a surplus. The median revenue in F&B grew from \$1,805,252 in the 2013 report while the median deficit shifted from a loss of \$83,319 to a loss of \$98,984

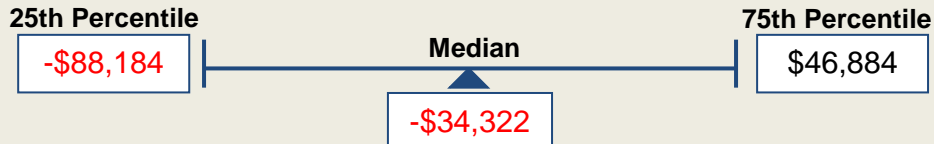
Figure 27 – Distribution of F&B Revenue and Net Income – All Respondents



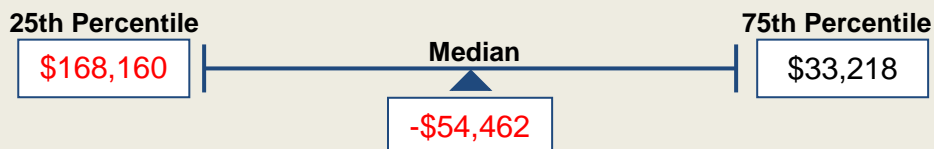
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While the proper understanding of F&B from a financial perspective requires placing the F&B bottom line in relation to a club's Available Cash, statistical icons 16 through 19 are presented as a resource to the reader. The presentation of the absolute bottom line results in F&B very obviously support the premise that larger clubs, with more dues revenue, are more able to absorb greater subsidies of F&B.

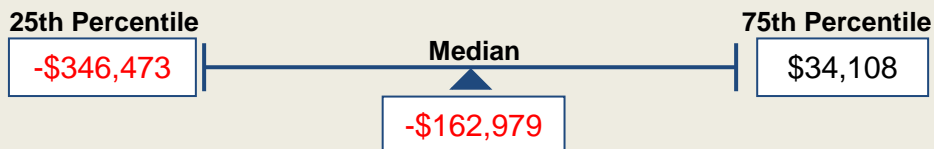
SI 16 – F&B Income/Loss - Less Than \$3.5M Club Revenue



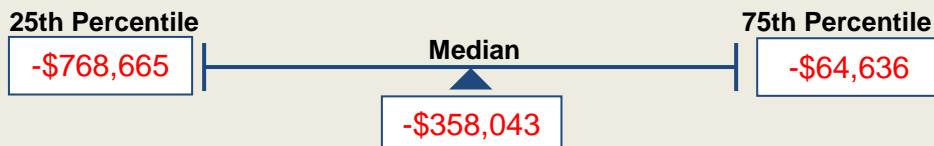
SI 17 – F&B Income/Loss - \$3.5M - \$6M Club Revenue



SI 18 – F&B Income/Loss - \$6M-\$9M Club Revenue



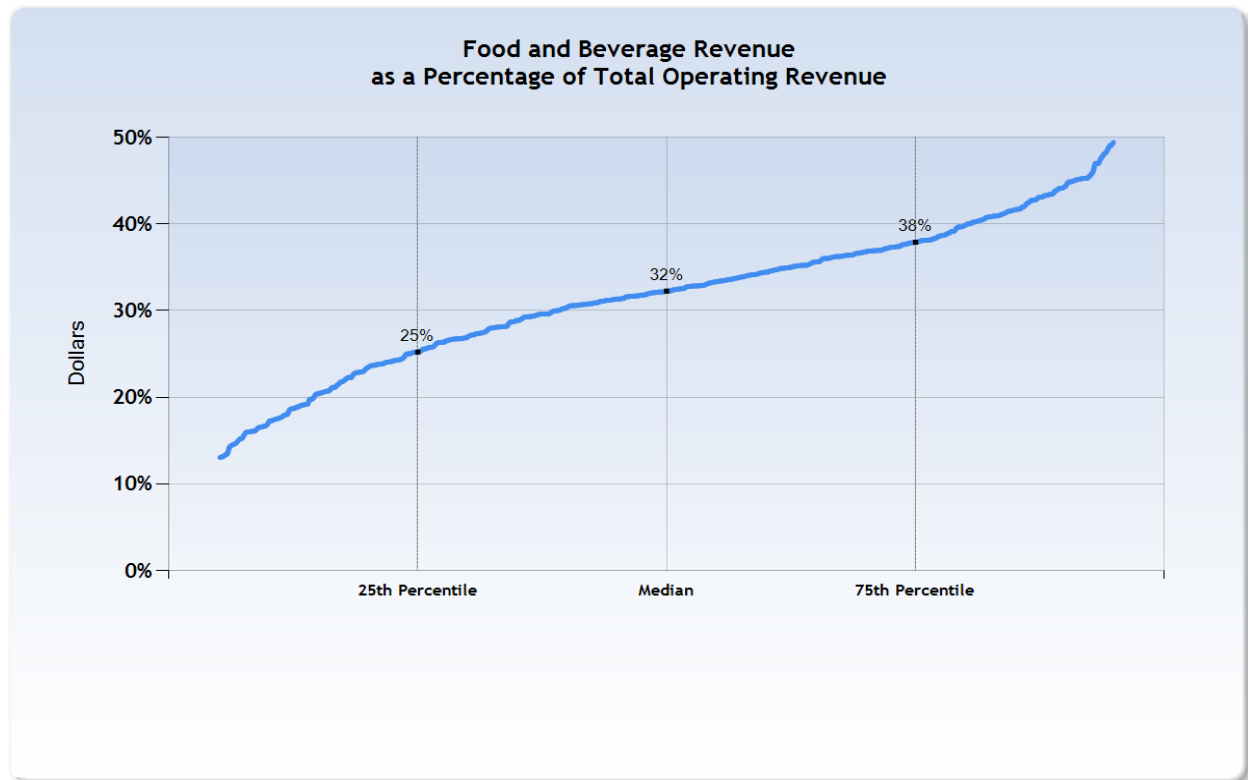
SI 19 – F&B Income/Loss - Greater Than \$9M Club Revenue



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Figure 28 presents F&B revenue as a percentage of Total Club Operating Revenue. The club at the median derives 32 percent of its operating revenue from F&B. The quartiles in the 2013 report were 25 percent, 32 percent and 37 percent respectively. The similarity shows how consistent the business and operating model of clubs is from year to year.

Figure 28 – Distribution of F&B as a Percentage of Total Club Operating Revenue – All Respondents



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Market Basket

The Market Basket survey queried prices for a fairly common basket of F&B items as listed in Table 8 below.

Table 8 – Market Basket Prices – Median Across All Respondents

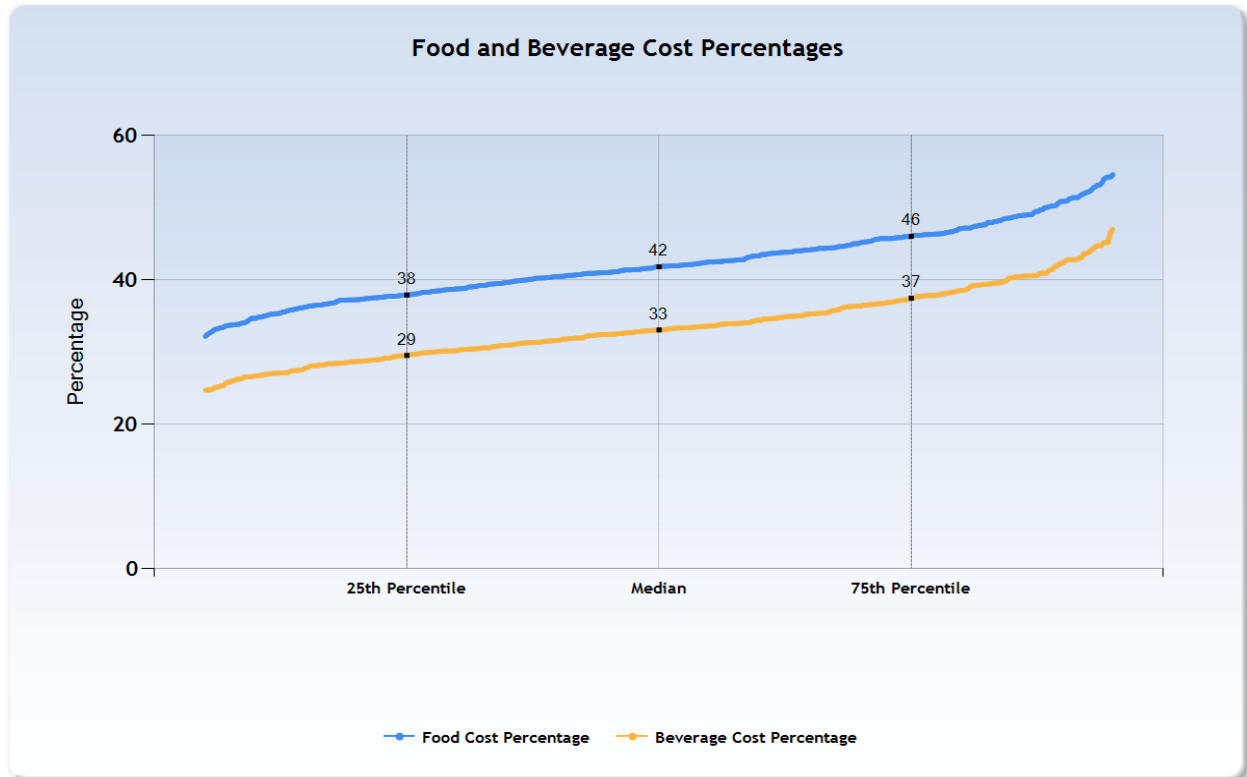
Market Basket Item	Median Price (2014 Report)	Median Price (2013 Report)
Domestic Bottled Beer	\$3.50	\$3.50
Imported Bottled Beer	\$4.50	\$4.50
House Red Wine - Glass	\$6.00	\$6.00
House White Wine - Glass	\$6.00	\$6.00
Grey Goose Cosmopolitan	\$9.00	\$8.60
Johnny Walker Black	\$8.50	\$8.25
Cheeseburger	\$10.00	\$9.95
Grilled Chicken Sandwich	\$9.75	\$9.00
Salmon Entree	\$22.00	\$22.00
Filet Mignon	\$29.95	\$29.00
Slice of Cheesecake	\$6.00	\$6.00

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Cost of Food and Beverage

Figure 29 shows the distribution of F&B Cost of Goods Sold (COGS) for all respondents.

Figure 29 – F&B Cost of Goods Sold – Distribution Across All Respondents



The calculation of food cost is the cost of food for food revenue derived from á la carte member dining and from all banquets divided by total food revenue. The food costs are exclusive of costs associated with employee meals and the revenue is exclusive of any minimum spending income or any other non-food revenue. The calculation of beverage cost is the cost of beverage for beverage revenue derived from á la carte member dining and from all banquets divided by total beverage revenue. The cost of beverage calculation is exclusive of any bulk wine sales by the case.

The operating metric that most closely correlates to the bottom line in F&B is the F&B Labor to F&B Revenue Ratio. The distribution for this measure across the industry is presented in Figure 30. The median for the industry is a ratio of 64 percent. Clubs that are in the upper quartile of this distribution tend to be clubs that are “dues rich” and have a very clear mission of providing ample, high-quality service. It is also this group of clubs that tend to run more significant F&B deficits. On the other hand, the clubs that are in the lower quartile tend to be clubs that are “dues constrained” and thus must run F&B at break-even or better. Such clubs achieve that result by regulating the “volume” of F&B service as demonstrated by the lower Labor to Revenue ratio.

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Figure 30 – Distribution of F&B Labor to F&B Revenue - All Respondents

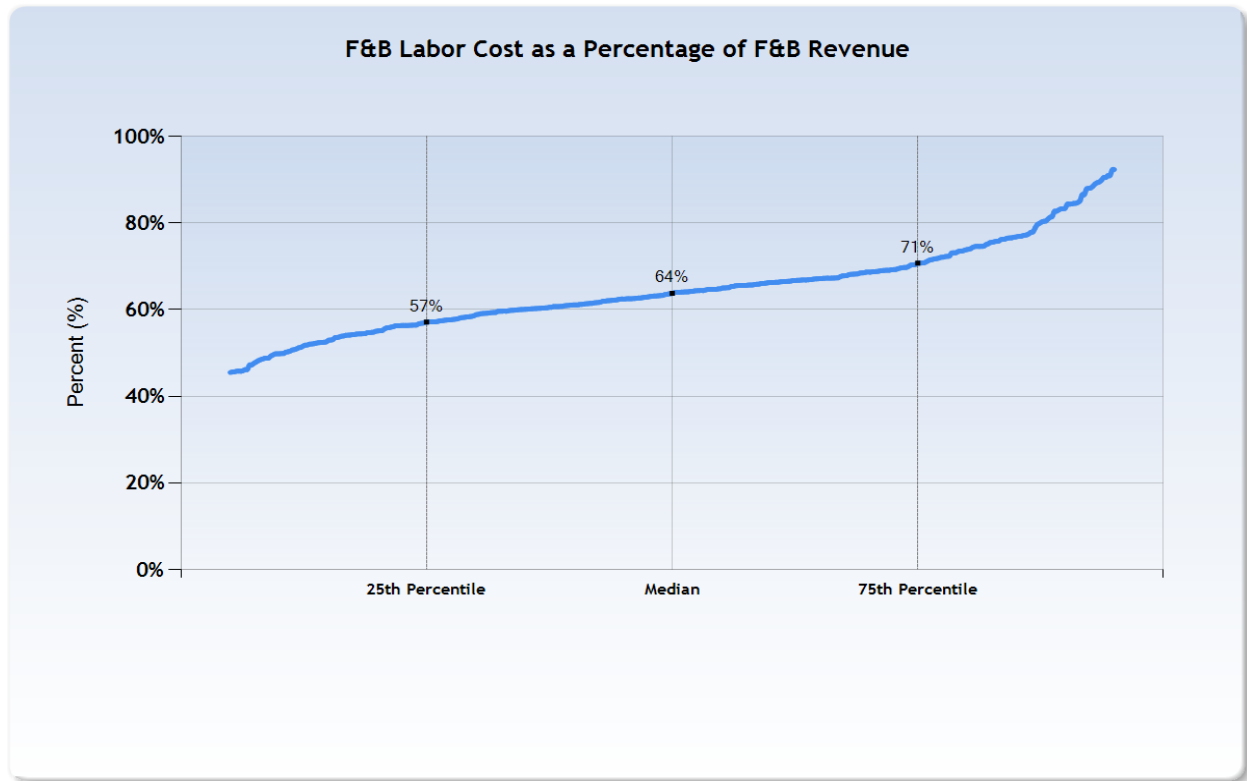


Table 9 – Key F&B Cost of Goods Sold Ratios – 2013 vs. 2014

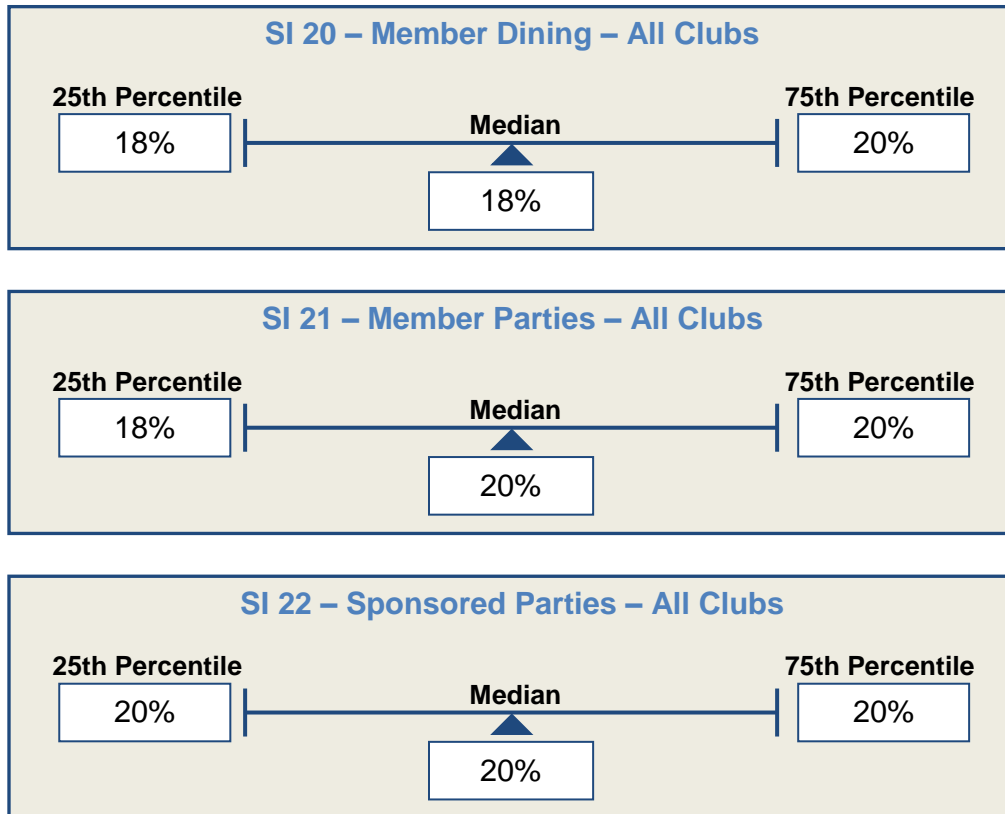
	Cost of Food (Quartile Breakpoints)	Cost of Beverage (Quartile Breakpoints)	Labor to Revenue Ratio (Quartile Breakpoints)
2013 Report	38%, 41%, 45%	29%, 32%, 37%	55%, 61%, 68%
Current Year – 2014 Report	38%, 42%, 46%	29%, 33%, 37%	57%, 64%, 71%

Table 9 (above) presents the year-over-year comparisons of Cost of Food, Cost of Beverage and F&B Labor to Revenue Ratio.

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Service Charge Rates

Icons 20-22 present the distribution of service charges across the entire industry.

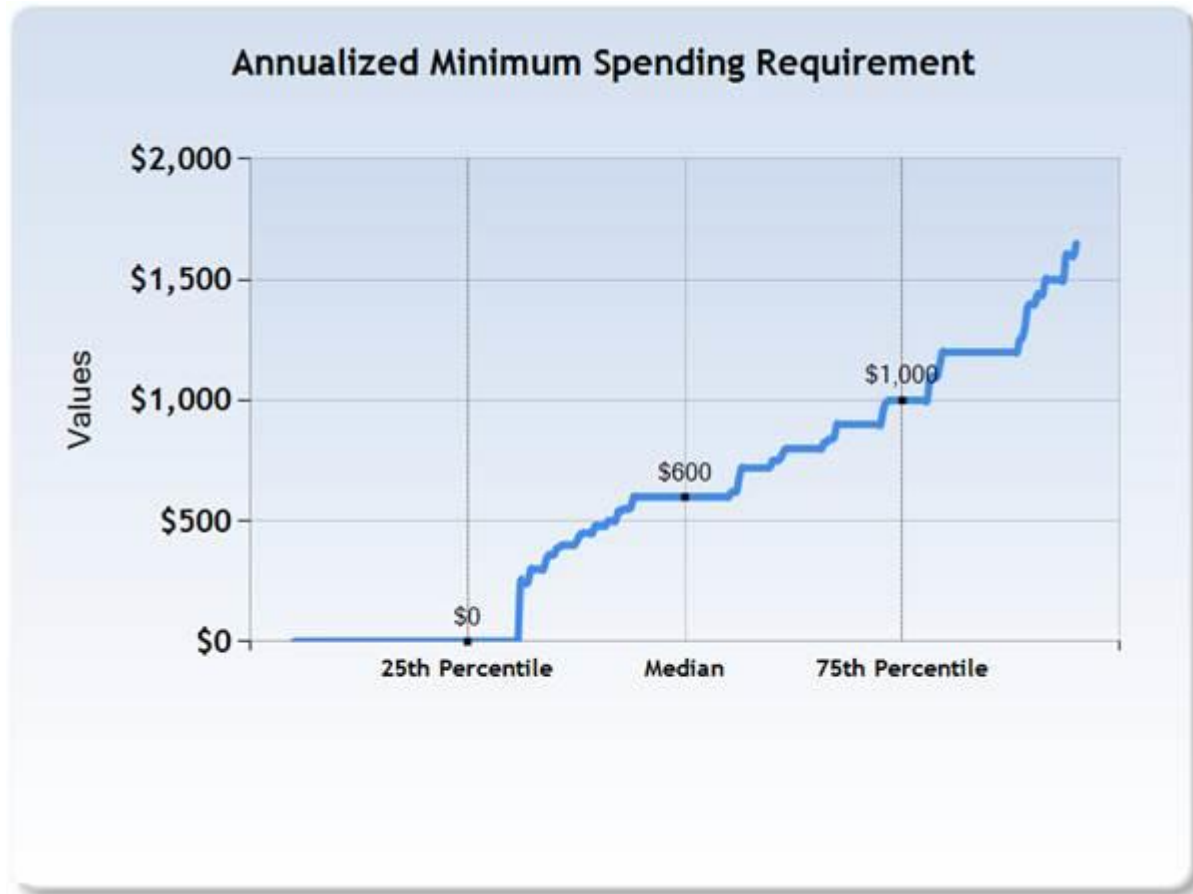


Annual Minimum Spending Requirement

Figure 31 presents the distribution for F&B minimum spend requirement (for the family membership scenario) while Figure 32 presents the distribution of unused F&B minimum spend income.

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Figure 31 – Distribution of F&B Minimum Spend Requirement – Family Membership – All Respondents



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Figure 32 – Distribution of F&B Unspent Minimum Income – All Respondents



Table 10 – Key Annual F&B Minimum Spending Statistics

Minimum Spend Covers	Minimum Spending Billing Period
Food Only – 42%	NA – 24%
Both Food and Beverage – 58%	Monthly – 18%
	Quarterly – 32%
	Semi-Annually – 6%
	Annually – 20%

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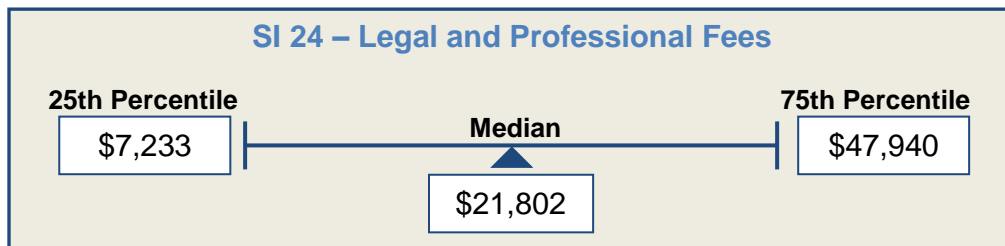
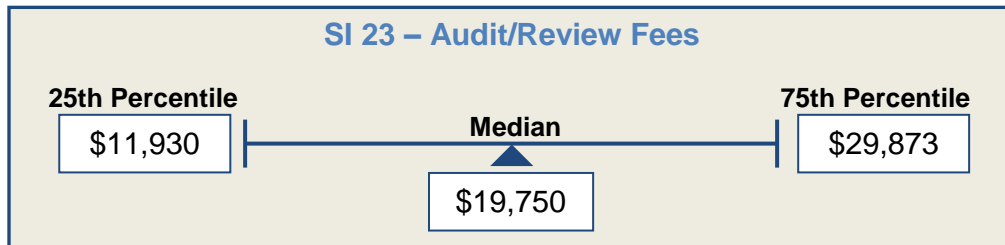
Section IX – General and Administrative

This section covers various financial aspects of the General and Administrative (G&A) function including employee counts and total club salary and wages. Table 11 below summarizes employee counts and club labor expenses by revenue market segment.

Table 11 – General and Administrative

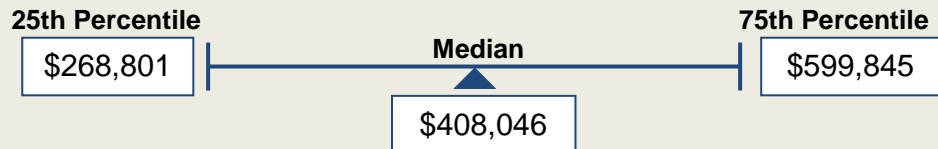
Segment	Median of Respondents					% Change in Payroll Growth Year-over-Year
	Total G&A Expenses	Peak Employee Count	Total Full Time Equivalents at Club	Total Club Salary, Wages, Payroll Taxes and Benefits (2013)	Total Club Salary, Wages, Payroll Taxes and Benefits (2012)	
Small	\$359,577	66	35	\$1,393,031	\$1,350,068	3.2%
Lower Mid-Market	\$661,031	110	53	\$2,596,978	\$2,506,643	3.6%
Upper Mid-Market	\$912,240	130	82	\$3,840,030	\$3,926,717	-2.2%
Large	\$1,694,297	234	149	\$7,335,096	\$6,888,000	6.5%

The components of General and Administrative costs are captured with the quartile distribution listed below. Icons 23-29 show the variation of G&A costs across all revenue segments.

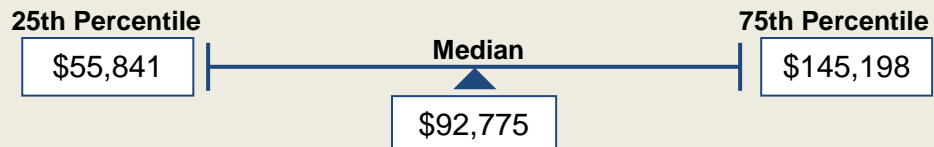


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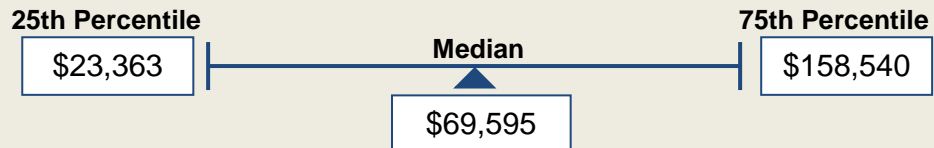
SI 25 – Salary and Wages for G&A Employees



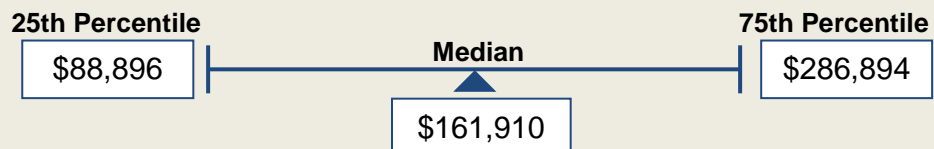
SI 26 – Payroll Taxes and Benefits for G&A Employees



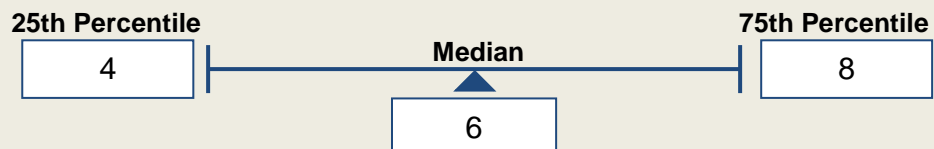
SI 27 – Total Membership and Marketing Expenses



SI 28 – Total Other G&A Expenses

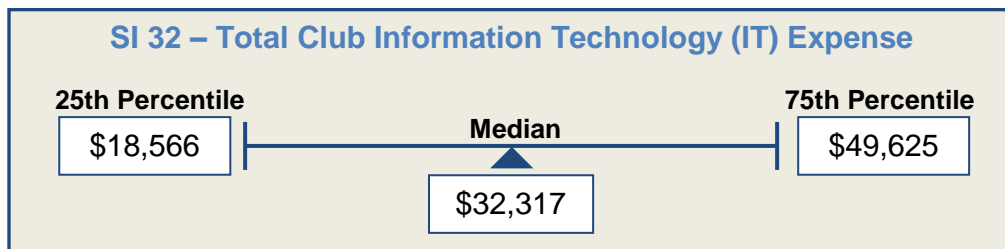
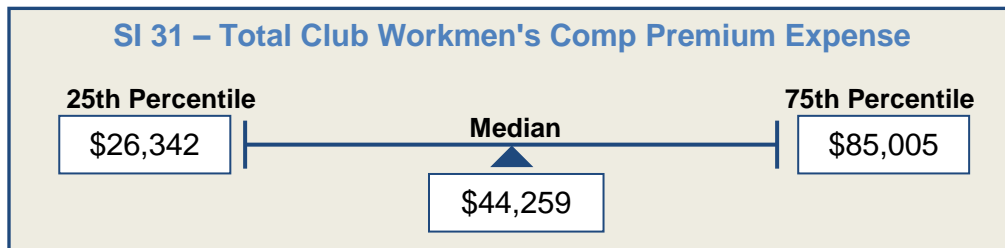
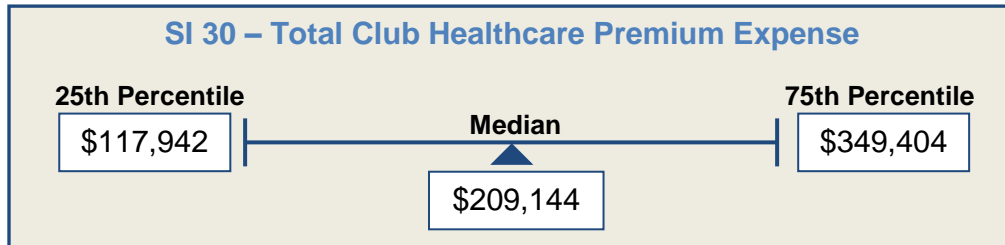


SI 29 – Full Time Equivalent G&A Employees



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The survey also captured three key components accounted for within the category of Total Other G&A Expenses. Those three components: Total Club Healthcare Insurance Premium, Total Club Workmen's Compensation Insurance Premium and Total Club IT Distribution of these expenses across all market segments are shown below in Icons 30-32.



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Section X – Facilities and Recreation

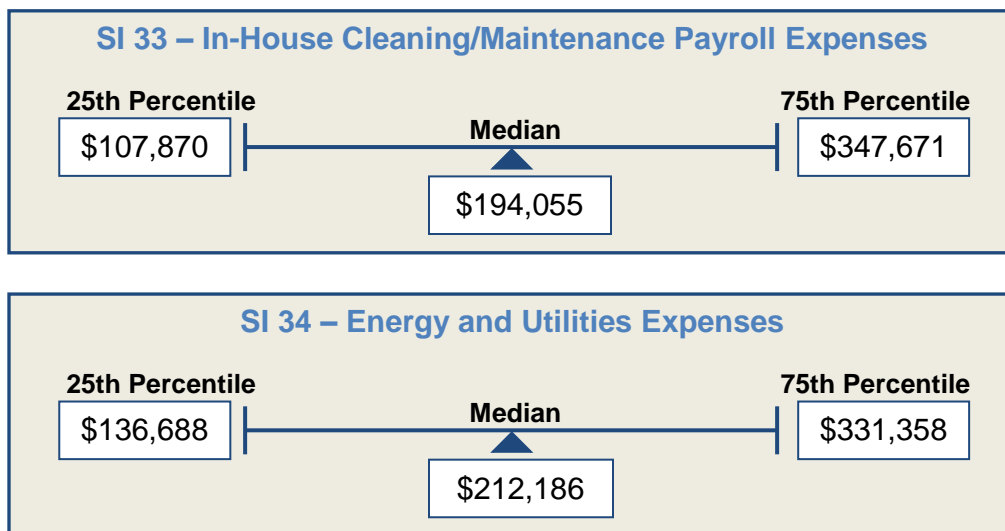
Clubhouse and Buildings

Table 12 summarizes the Buildings and Maintenance expenses, clubhouse size, expense of buildings maintained and the median cost per square foot of maintained building. Please note: the cost per square foot is a derived number and does not reflect actual data from a given club.

Table 12 – Overview of Buildings and Maintenance

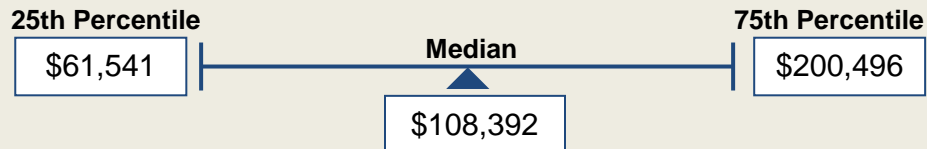
Segment	Median of Respondents			
	Total Buildings and Maintenance Expense	Square Feet of Clubhouse	Total Square Feet of Maintained Buildings	Cost Per Square Foot At the Median
Small	\$184,540	20,000	25,100	\$9
Lower Mid-Market	\$469,147	27,000	42,000	\$10
Upper Mid-Market	\$753,099	42,000	57,000	\$13
Large	\$1,493,977	62,280	102,000	\$16

The survey contained a number of specific metrics regarding the breakdown of building and maintenance expenses. Icons 33-39 detail the quartile distribution of the expense breakdown, square footage of buildings and age of clubhouse. The distribution covers all respondents.

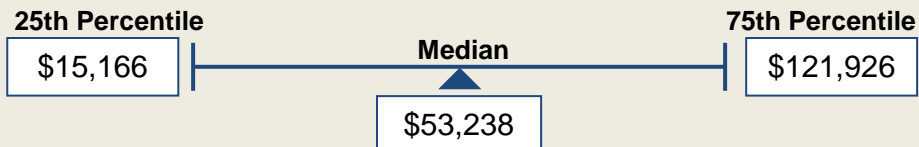


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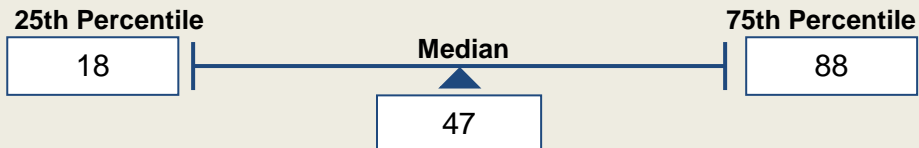
SI 35 – All Other Building Operation and Maintenance Expenses



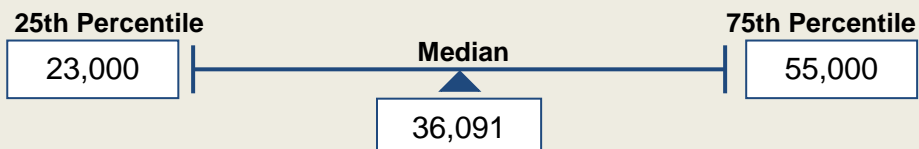
SI 36 – Locker Room Supplies and Operation Expenses



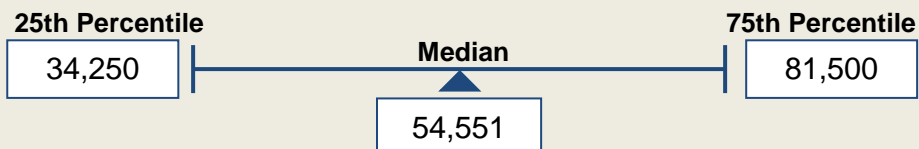
SI 37 – Main Clubhouse Age



SI 38 – Main Clubhouse Size – Square Feet



SI 39 – Square Footage of all Maintained Buildings



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Guest Rooms

Fourteen percent of all respondents reported having guest rooms.

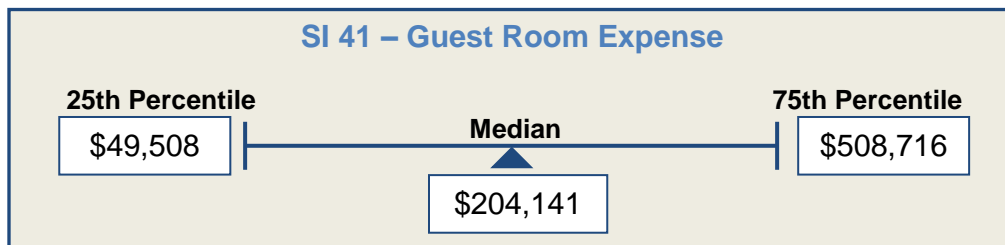
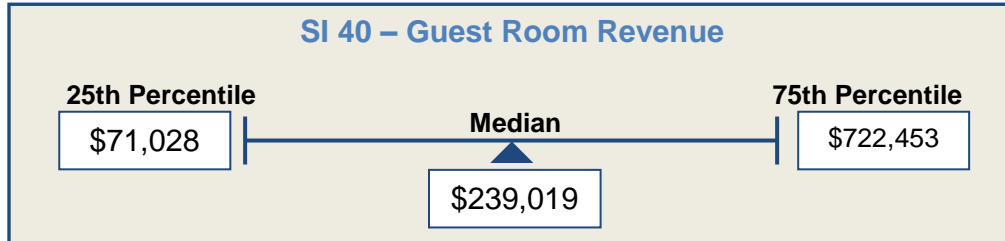
Clubs With Golf – 11 percent of responding clubs with golf reported having guest rooms.

Clubs Without Golf – 30 percent of responding clubs without golf reported having guest rooms.

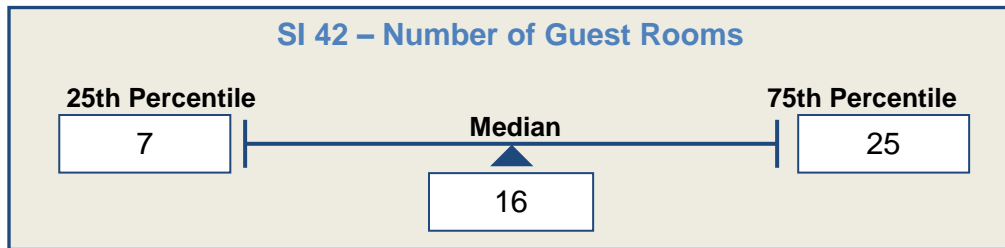
Table 13 – Guest Room Penetration by Revenue Market Segment

Segment	Percentage of Respondents reporting Guest Rooms
Small Clubs	6%
Lower Mid-Market Clubs	10%
Upper Mid-Market Clubs	14%
Large Clubs	24%

Icons 40-42 below show the quartile distribution of data for all clubs that have indicated having guest rooms.



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The data indicates the median of annual revenue is \$239,019. Half of the clubs that had overnight room revenue in 2013 fell below that number. The median for number of rooms is 16. At the high end of the distribution, clubs at the 75th percentile and over can be characterized as having a rooms operation with more than 25 rooms and more than \$725,000 in overnight room revenue.

Recreation

Table 14 shows the proportion of responding clubs with the given recreational amenity.

Table 14 – Clubs With Given Recreational Amenity by Revenue Market Segment

Proportion of Responding Clubs with:	All Respondents
Tennis (Outdoor Courts)	74%
Tennis (Indoor Courts)	14%
Swimming (Outdoor Pool)	76%
Swimming (Indoor Pool)	7%
Fitness	60%

Table 15 shows the proportion of responding clubs with the given recreational amenity by club type.

Table 15 – Clubs With Given Recreational Amenity by Club Type

Proportion of Responding Clubs in Segment With:	Clubs With Golf	Clubs Without Golf
Tennis (Outdoor Courts)	80%	47%
Tennis (Indoor Courts)	14%	9%
Swimming (Outdoor Pool)	83%	44%
Swimming (Indoor Pool)	5%	17%
Fitness	63%	47%

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The following financial and operational analysis of recreational amenities is presented based on the scale of the given amenity at a club independent of club type or revenue market segment.

Tennis

The filtering mechanism applied to complete the tennis analysis is the number of courts. The revenue, costs and activities of a tennis operation are more closely tied to the number of courts than to the club type or revenue size of the club (although it is likely that larger revenue clubs tend to have more courts). Table 16 presents key tennis metrics grouped in accordance with number of tennis courts.

Table 16 – Key Tennis Metrics Grouped by Number of Courts

Number of Courts (Inclusive)	1-5	6-11	More Than 12
Median Number of Courts in Given Grouping	4	8	15
Median Revenue from Racquet Sports	\$20,598	\$80,901	\$288,353
Median Expense for Racquet Sports	\$62,747	\$190,425	\$542,472
Median Club Revenue	\$5,356,529	\$6,952,689	\$11,684,310
Ownership of Tennis Shop	Pro – 22% Club – 26% No Shop – 38%	Pro – 57% Club – 38% No Shop – 4%	Pro – 31% Club – 69% No Shop – 0%
Median Weekend Guest Play Fee	\$10	\$10	\$10

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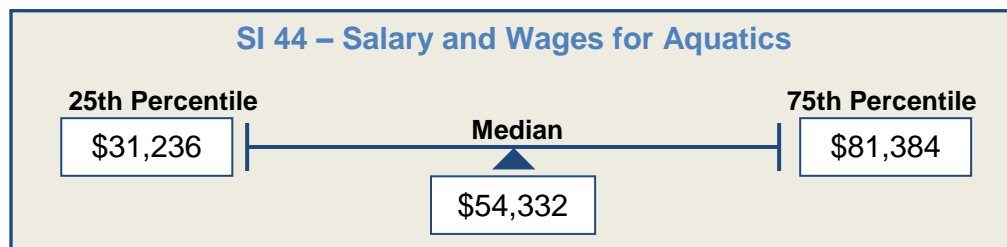
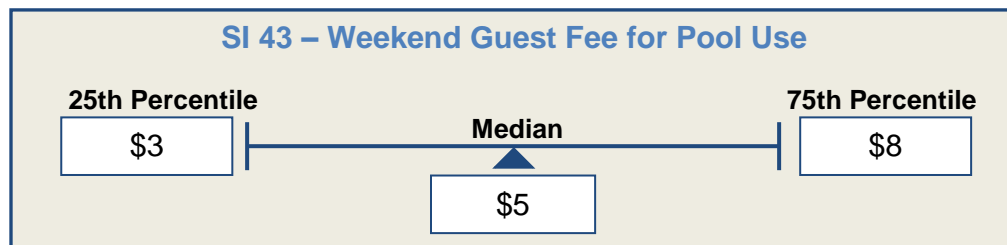
Aquatics

The filtering mechanism applied to complete the aquatics analysis is the total aquatic sports expense. Some clubs operate expansive aquatic operations as part of the club membership fee, while other clubs charge additionally for aquatic activities. Given this variation, from a benchmarking standpoint, the best way to observe comparisons is to use the one constant: Expense. Table 17 summarizes key metrics regarding swimming finances and operations grouped by the total aquatic expense.

Table 17 – Key Aquatic Operation Metrics Grouped by Total Aquatic Expense

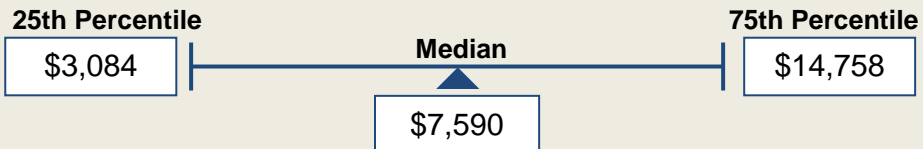
Total Aquatic Expense	Less than \$100,000	\$100,000 to \$200,000	More Than \$200,000
Proportion of Clubs in Given Aquatic Sports Expense Group	59%	28%	13%
Median Aquatic Expense	\$49,563	\$136,928	\$273,870
Median Aquatic Revenue	\$6,092	\$22,864	\$72,846
Median Club Revenue	\$5,642,963	\$7,717,378	\$12,971,960

Icons 43-48 show the percentile distribution for the other key aquatic sports metrics (across all revenue market segments).

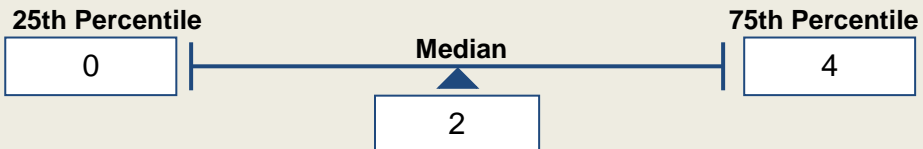


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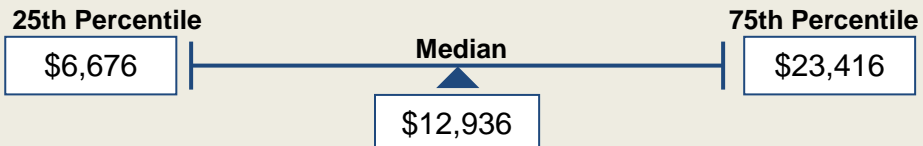
SI 45 – Payroll Taxes and Benefits for Aquatics



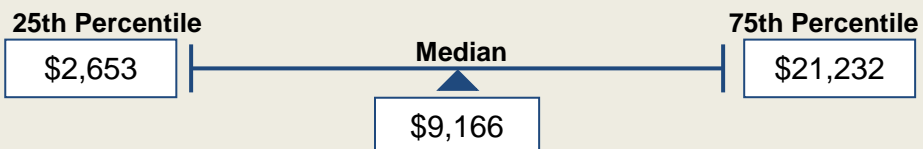
SI 46 – Full Time Equivalent Employees for Aquatics



SI 47 – Pool Maintenance and Equipment Expenses



SI 48 – Other Aquatic Expenses



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Fitness

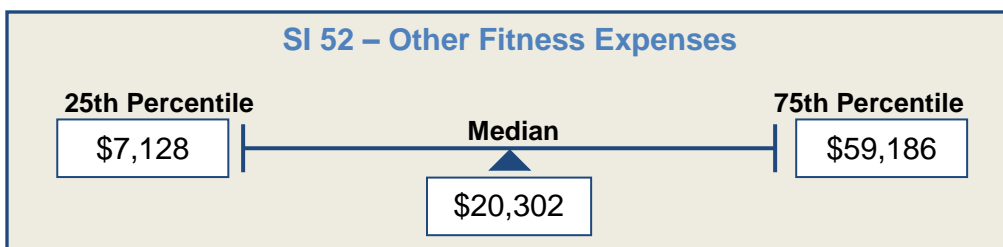
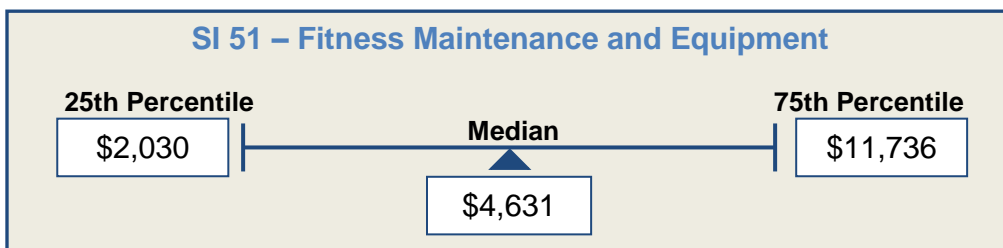
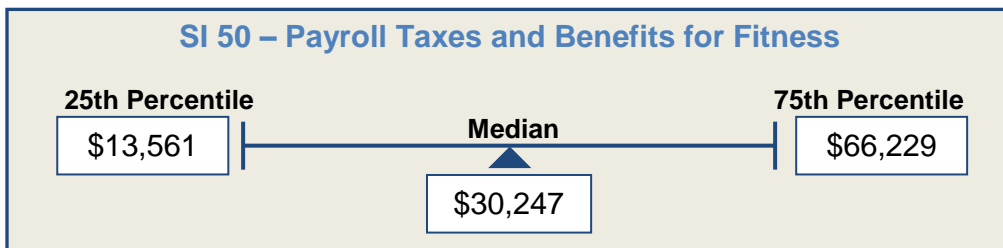
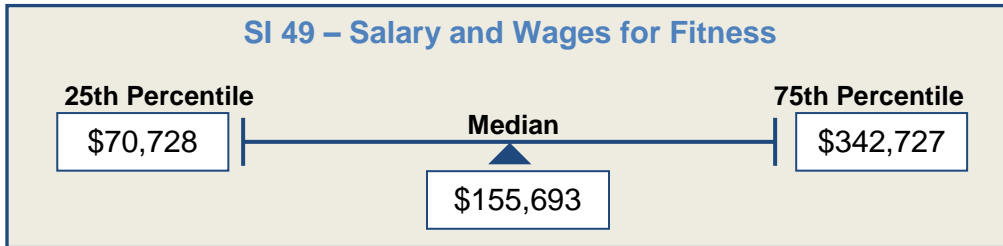
The filtering mechanism applied to complete the fitness analysis is the total fitness expense. Higher expense is tied to greater fitness activities and operation. Some clubs operate expansive fitness operations as part of the club membership fee, while other clubs charge additionally for fitness activities. Given this variation, from a benchmarking standpoint it seems the best way to observe comparisons is to use the one constant: Expense. Table 18 summarizes key metrics regarding fitness finances and operations grouped by the total fitness expense.

Table 18 – Key Fitness Operation Metrics Grouped by Total Fitness Expense

Total Fitness Expense	Less than \$100,000	\$100,000 to \$500,000	More Than \$500,000
Proportion of Clubs in Given Fitness Expense Group	30%	47%	23%
Median Fitness Expense	\$27,577	\$212,174	\$874,039
Median Fitness Revenue	\$6,455	\$118,894	\$642,818
Median Square Footage of Fitness Center	1,343	4,000	14,403
Percent of Clubs With Fitness Retail Shop	3%	22%	62%
Median Club Revenue	\$5,359,150	\$8,614,459	\$18,575,180

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Icons 49-52 show the percentile distribution for salary and wages, payroll taxes and benefits, equipment and maintenance expense and all other fitness center expenses.



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Section XI – Course Maintenance

Table 19 below shows a simple segmentation of the golf operations season by market segment.

Table 19 – Golf Operations Season by Revenue Segment

Segment	Proportion of Clubs 11 or 12 Month Course Operation	Proportion of Clubs 10 Months or Less Course Operation
Small	55%	45%
Lower-Mid	55%	45%
Upper-Mid	70%	30%
Large	85%	15%

Larger clubs tend to be located in regions with longer golf course operation seasons.

Course Maintenance Budget Breakpoints

There tend to be natural breakpoints in course maintenance (CM) budgets; thus course maintenance analysis is based on the following groupings of 2013 CM spending:

Less than \$800,000
Between \$800,000 and \$1,200,000
Between \$1,200,000 and \$1,700,000
More than \$1,700,000

The analysis presents the characteristics of clubs based on their Course Maintenance spending. Table 20 below summarizes the analysis.

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Table 20 – Course Maintenance Spending Analysis

	Course Maintenance Spending	Less than \$800K	\$800,000 - \$1.2M	\$1.2M - \$1.7M	More Than \$1.7M
1	Median CM Expense in Grouping	\$667,367	\$983,791	\$1,521,872	\$2,310,078
2	Median Club Revenue	\$3,453,530	\$5,570,148	\$6,945,026	\$11,383,590
3	Median Available Cash	\$2,126,209	\$3,116,747	\$4,293,593	\$6,837,447
4	CM Expense as Percent of Available Cash	28%	30%	29%	31%
5	Median Number of Holes	18	18	18	36
	Club Characteristics				
6	Median Full Member Equivalent	362	438	486	642
7	Median Full Member Dues	\$4,884	\$6,347	\$7,140	\$8,772

Analyzing Course Maintenance Budget Drivers

Another ongoing debate in the club business centers on the amount required to maintain a golf course. The answer is said to depend on the number of acres, the type of grass, the geographic location and other factors. A scientific approach to answering the question based on analyzing the course maintenance budgets at hundreds of clubs leads to a completely different conclusion: The amount it costs to maintain a golf course is the amount a given club can afford.

In referring to Table 20, please take a moment to review Row 4 while considering how widely the absolute amount spent varies as shown in Row 1. The consistency of the proportion of available cash being used for course maintenance has been proven to be independent of geography, size of club or seasonality.

The Club Benchmarking Available Cash Model has proven the average proportionate use of cash at a club to maintain the course is 30 percent of the Available Cash (the money available to cover the club's fixed expenses). Any number of data points can be used as facts to support the conclusion. As an example, please review Figures 33 and 34 below. Figure 33 shows the distribution of acreage maintained for 18-hole courses spending less than \$1,100,000 and Figure 34 shows the same distribution for 18-hole courses with spending over \$1,100,000. There are actually more clubs with more than 200 acres to maintain in the lower spending group. Clearly one can conclude the driver of expense is not maintained acres. Said another way, size is not a cause affecting maintenance spending. Such an example controverts theories based on size. Ultimately, the variation has been proven to be driven by the variation in Available Cash (the amount of money a club has to cover its fixed expenses.) Simply, clubs spend what they can afford.

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Figure 33 – Distribution of Maintained Acreage for 18-Hole Courses With Less Than \$1.1 Million Maintenance Expense



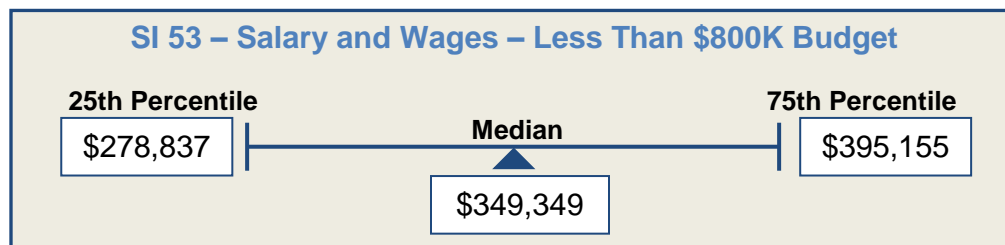
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Figure 34 – Distribution of Maintained Acreage for 18-Hole Courses With Less Than \$1.1 Million Maintenance Expense



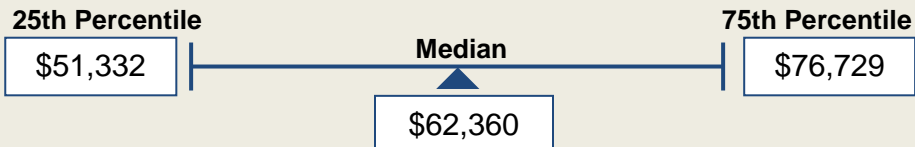
Course Maintenance Labor Distribution

Icons 53-60 summarize the spending on course maintenance labor by Course Maintenance budget grouping.

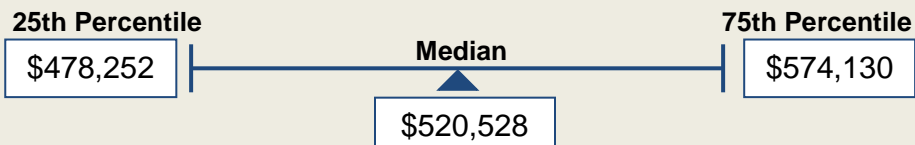


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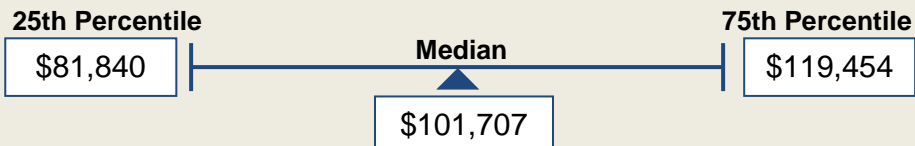
SI 54 – Payroll Taxes and Benefits – Less Than \$800K Budget



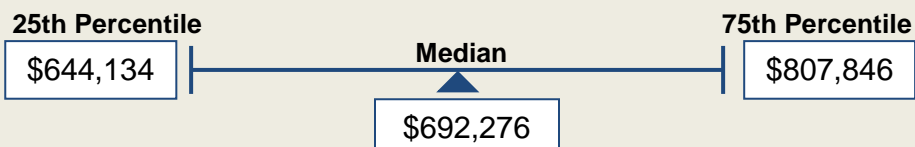
SI 55 – Salary and Wages – \$800K - \$1.2M Budget



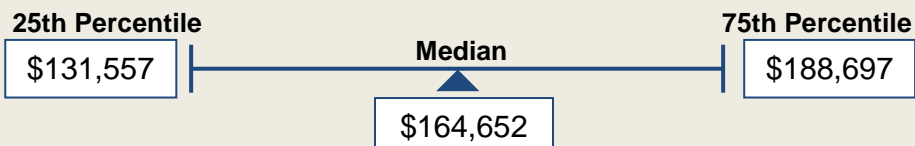
SI 56 – Payroll Taxes and Benefits – \$800K - \$1.2M Budget



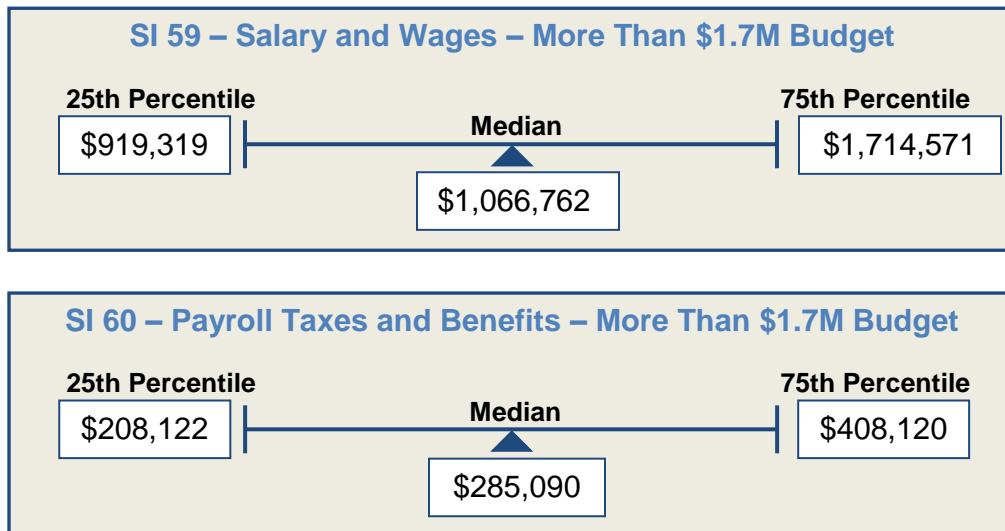
SI 57 – Salary and Wages – \$1.2M - \$1.7M Budget



SI 58 – Payroll Taxes and Benefits – \$1.2M - \$1.7M Budget

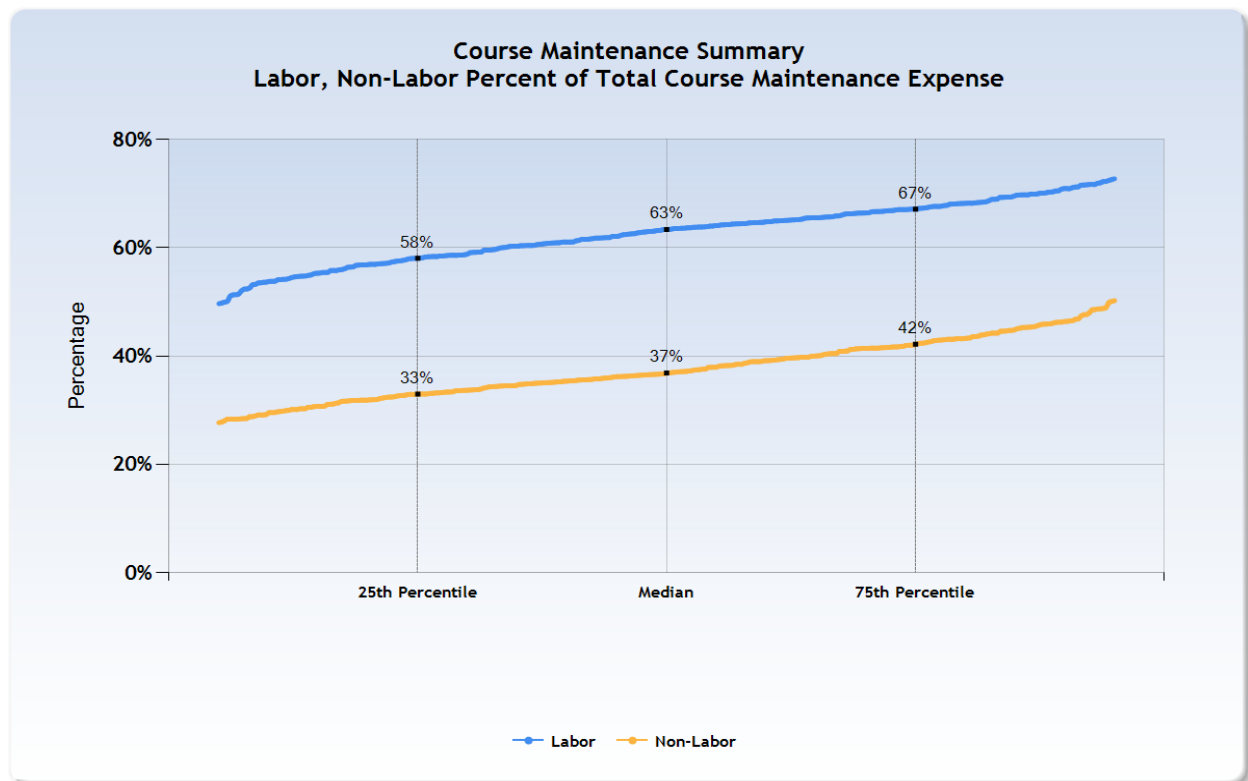


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As can be seen in Figure 35, at the median, 63 percent of Course Maintenance expense is allocated to labor while 37 percent is allocated to non-labor.

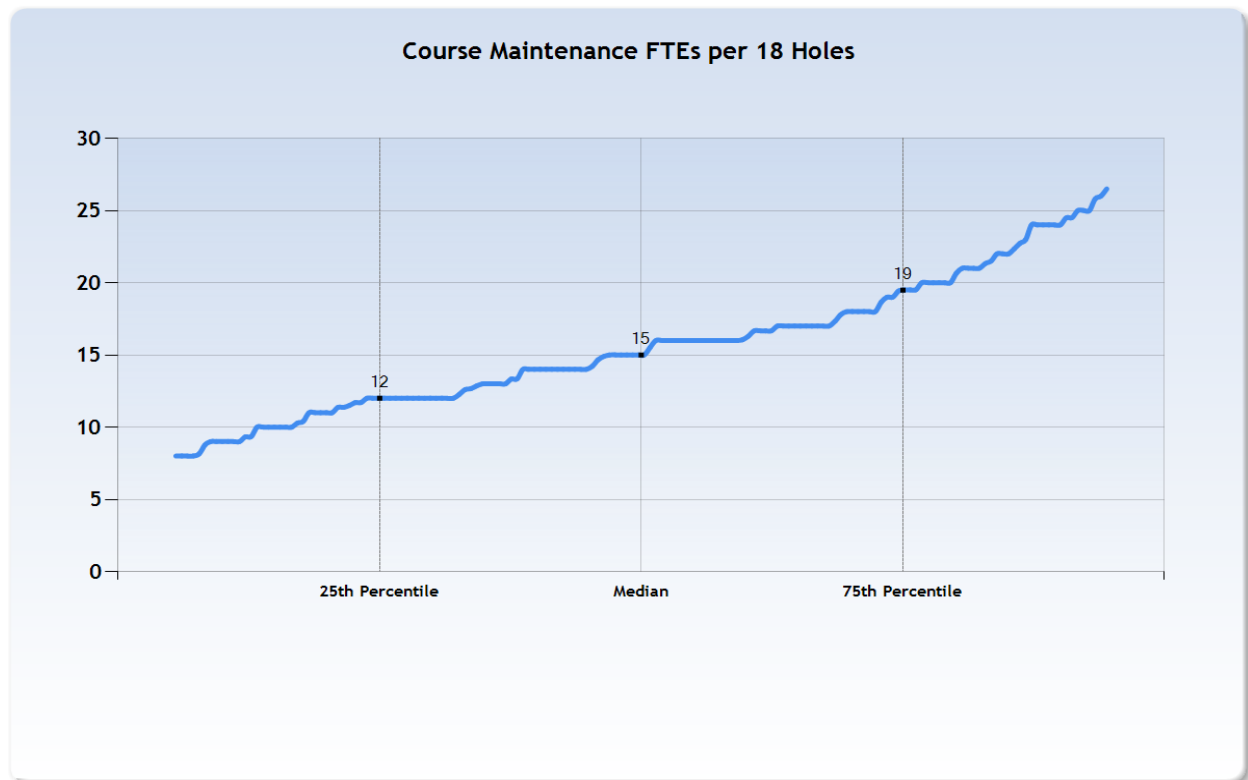
Figure 35 – Course Maintenance Summary Labor vs. Non-Labor



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Figure 36 shows the distribution of Full Time Equivalents (FTEs) per 18-hole course equivalents across the entire spectrum of course maintenance expense respondents. The median is for a crew of 15 FTEs to maintain an 18-hole course with 12 and 19 FTEs as the 25th and 75th percentiles respectively.

Figure 36 – Course Maintenance FTEs Per 18-Hole Course



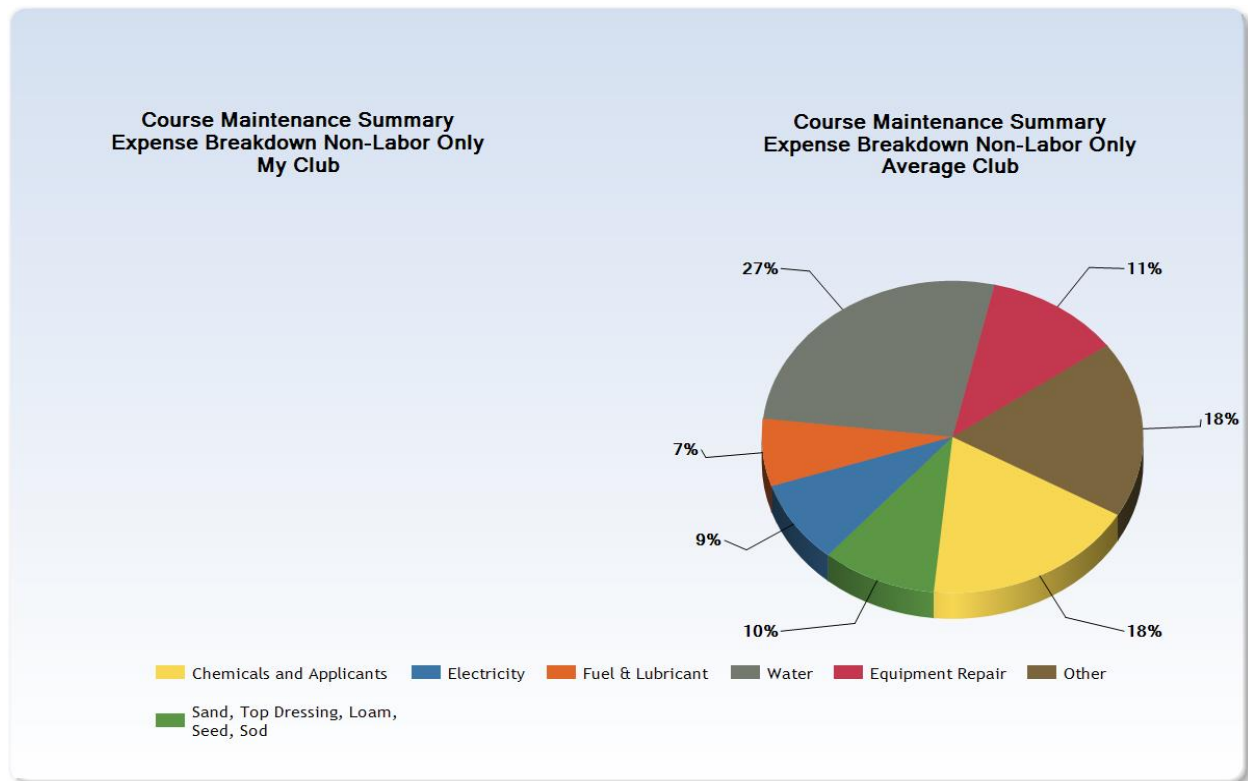
Non-Labor Expense Distribution Breakdown

A number of graphical charts appear below showing the distribution of non-labor Course Maintenance expenses by geographic region. There are five regions shown: Northeast, Southeast, Midwest, Southwest and West. Appendix 1 details the states within each region. The charts have an empty slot in which your club's non-labor expense distribution would be shown if you subscribed to Club Benchmarking.

The most significant takeaway is that water expense is the one expense that is tied to regional variations. It is of course important to note that while the water expenses vary by region, the proportionate use of Available Cash for course maintenance does not.

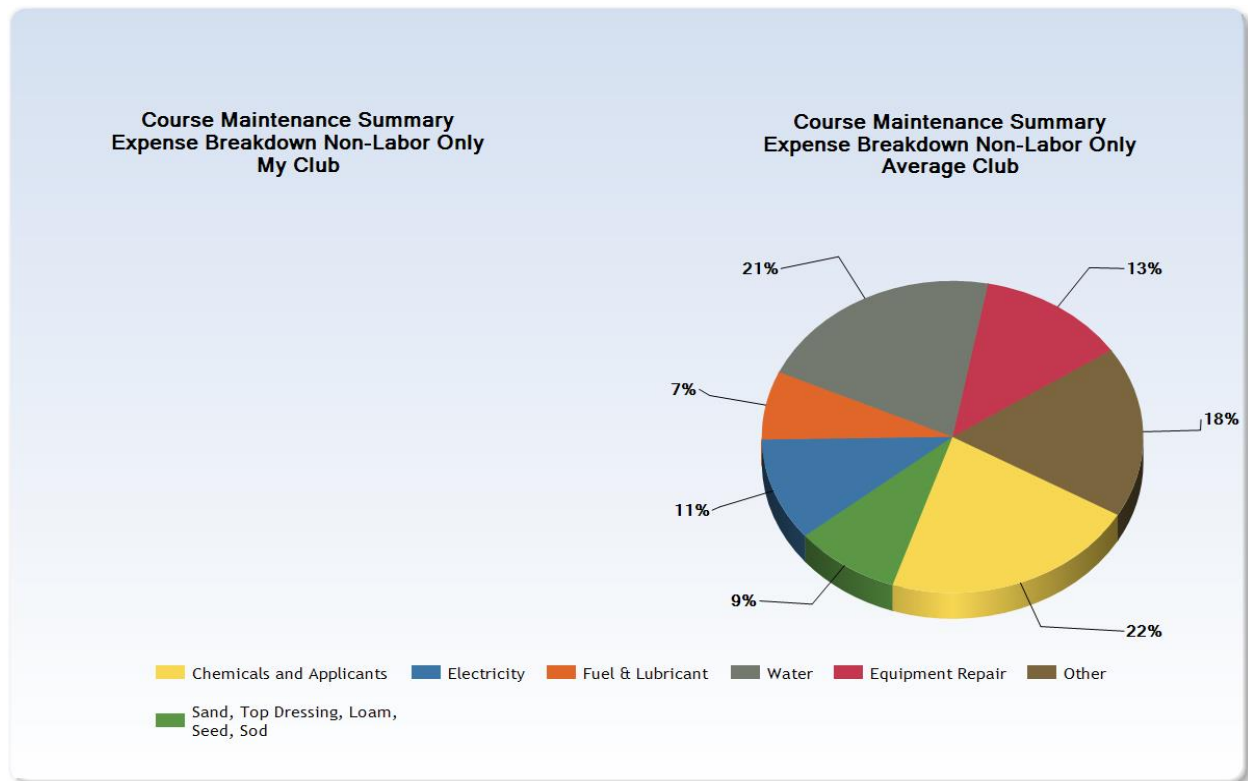
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Figure 37 – Average Distribution of Non-Labor CM Expenses – West Region



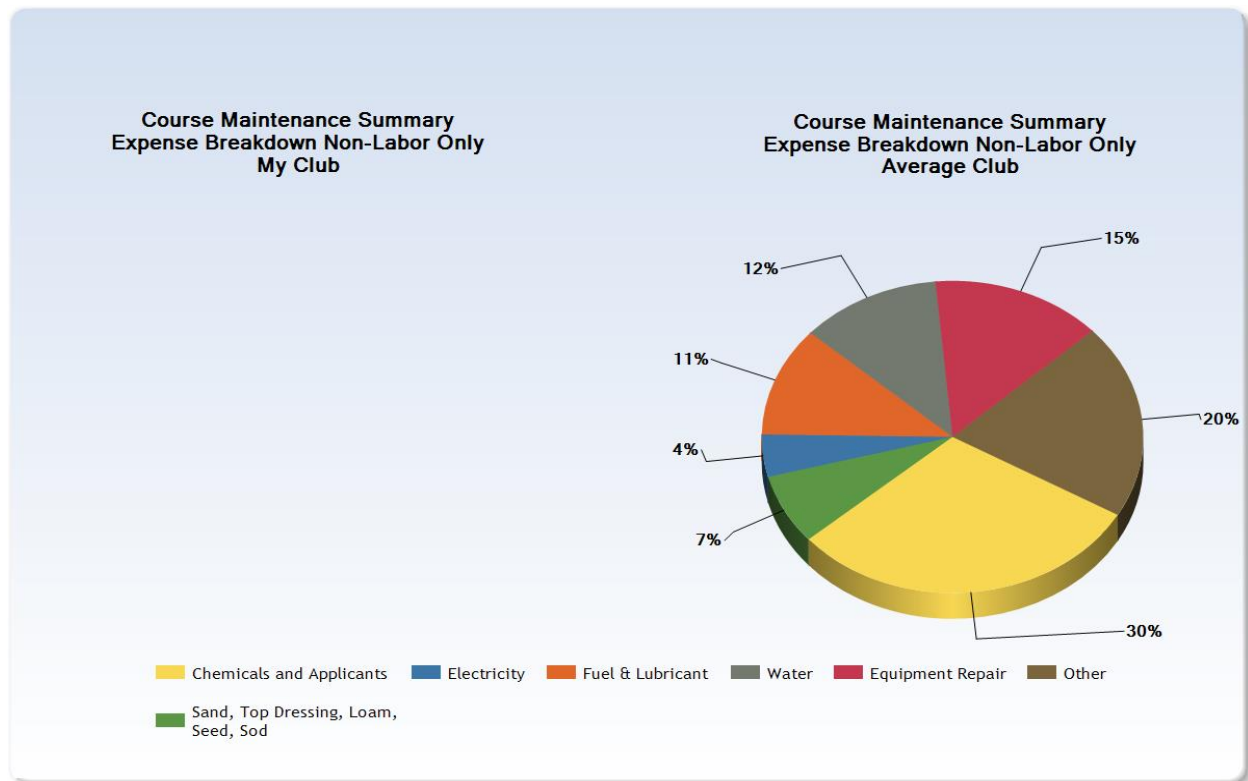
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Figure 38 – Average Distribution of Non-Labor CM Expenses – Southwest Region



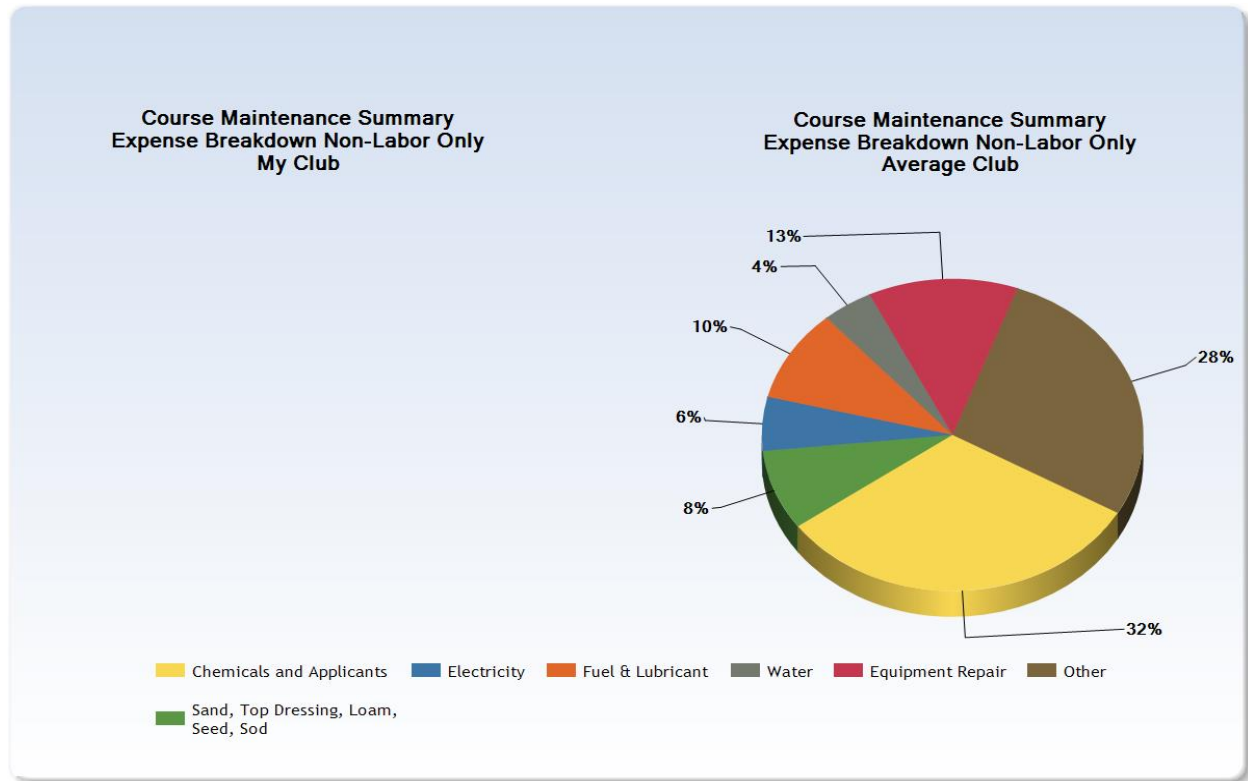
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Figure 39 – Average Distribution of Non-Labor CM Expenses – Midwest Region



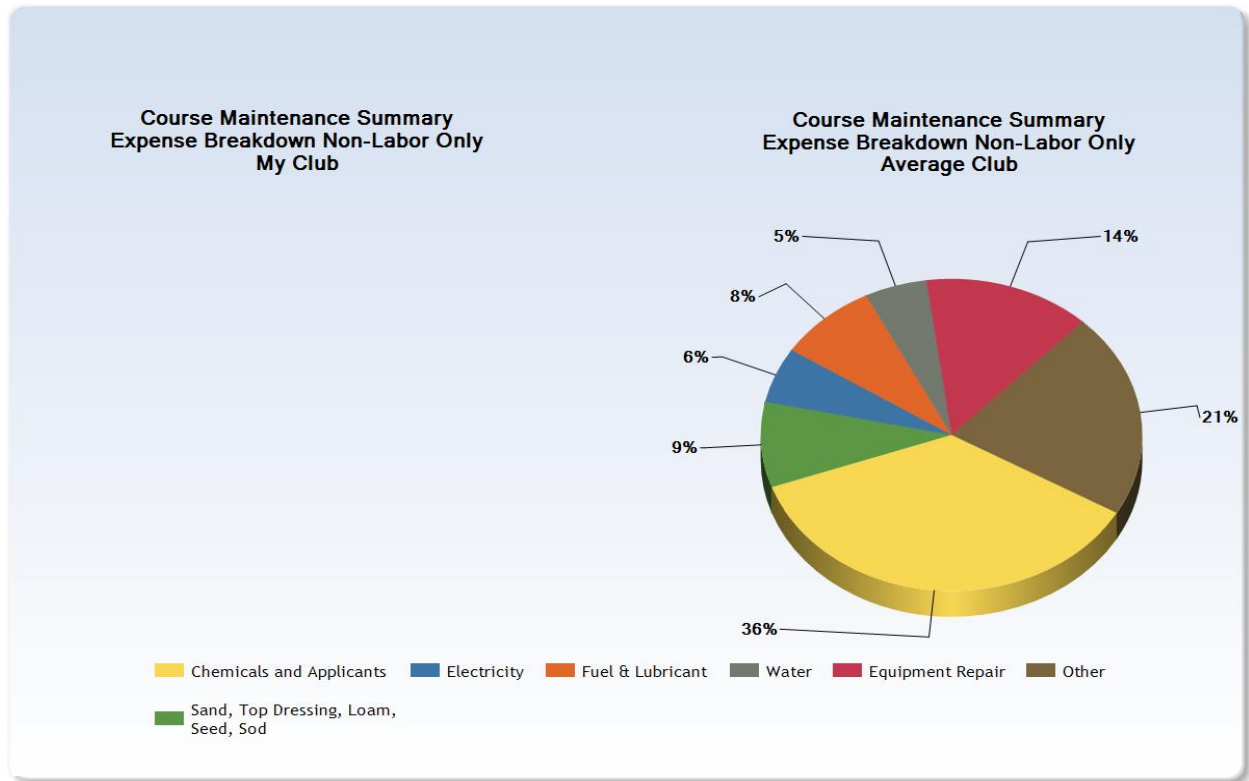
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Figure 40 – Average Distribution of Non-Labor CM Expenses – Southeast Region



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Figure 41 – Average Distribution of Non-Labor CM Expenses – Northeast Region

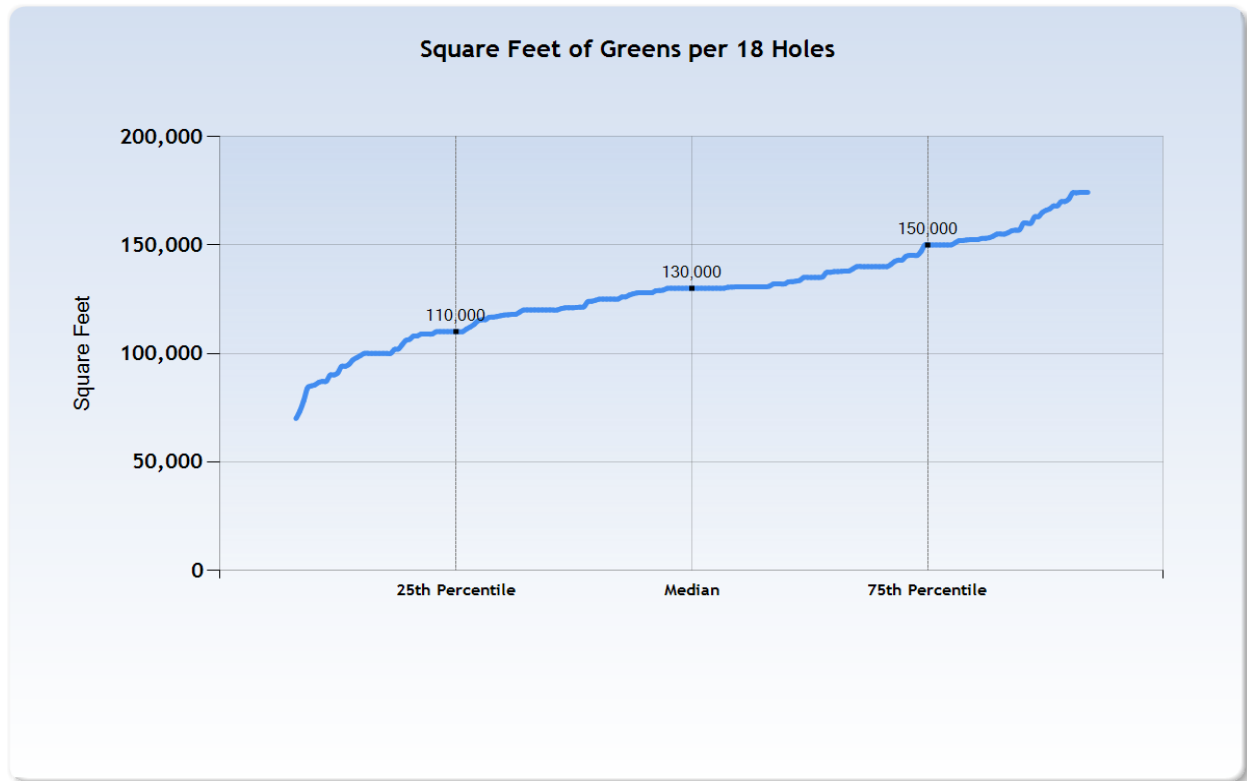


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Course Characteristics

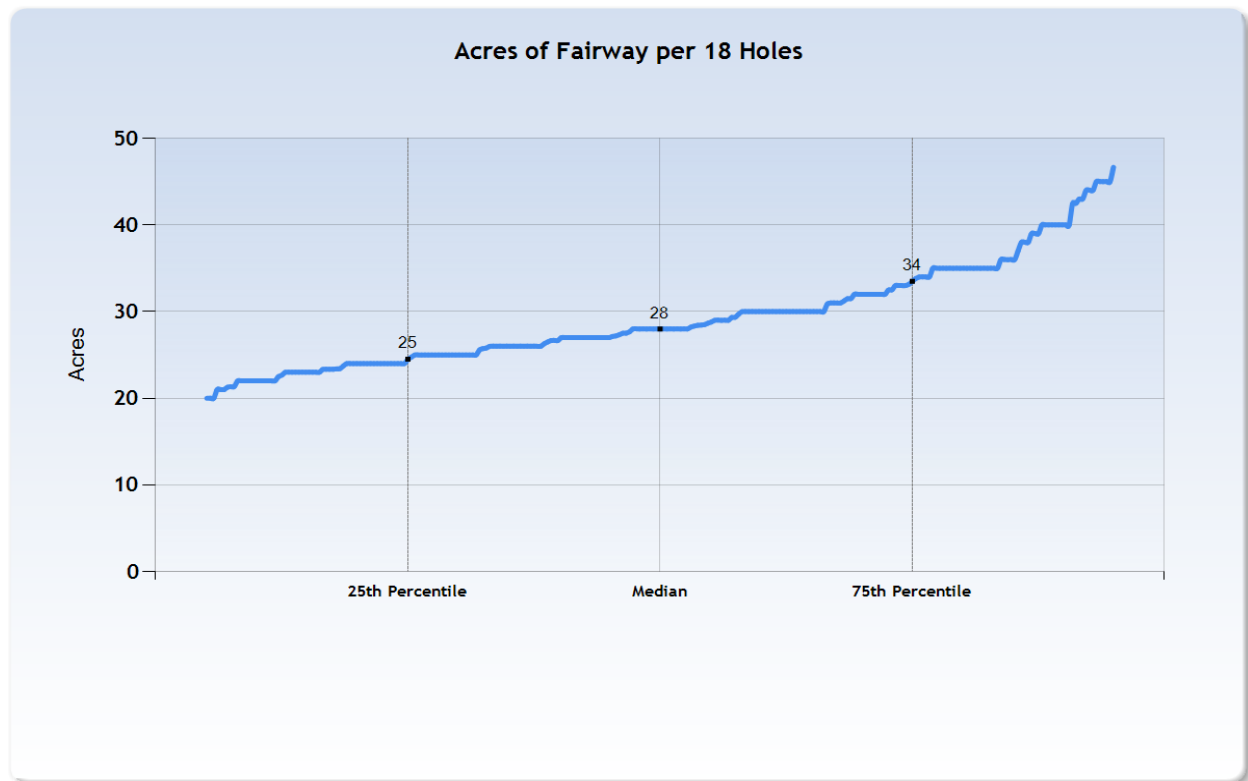
Figures 42-44 comprise square footage of greens, acres of fairway and number of bunkers; all indexed to 18-hole course equivalents. Club Benchmarking subscribers would see their own course characteristics highlighted on the distribution.

Figure 42 – Square Feet of Greens Per 18 Holes



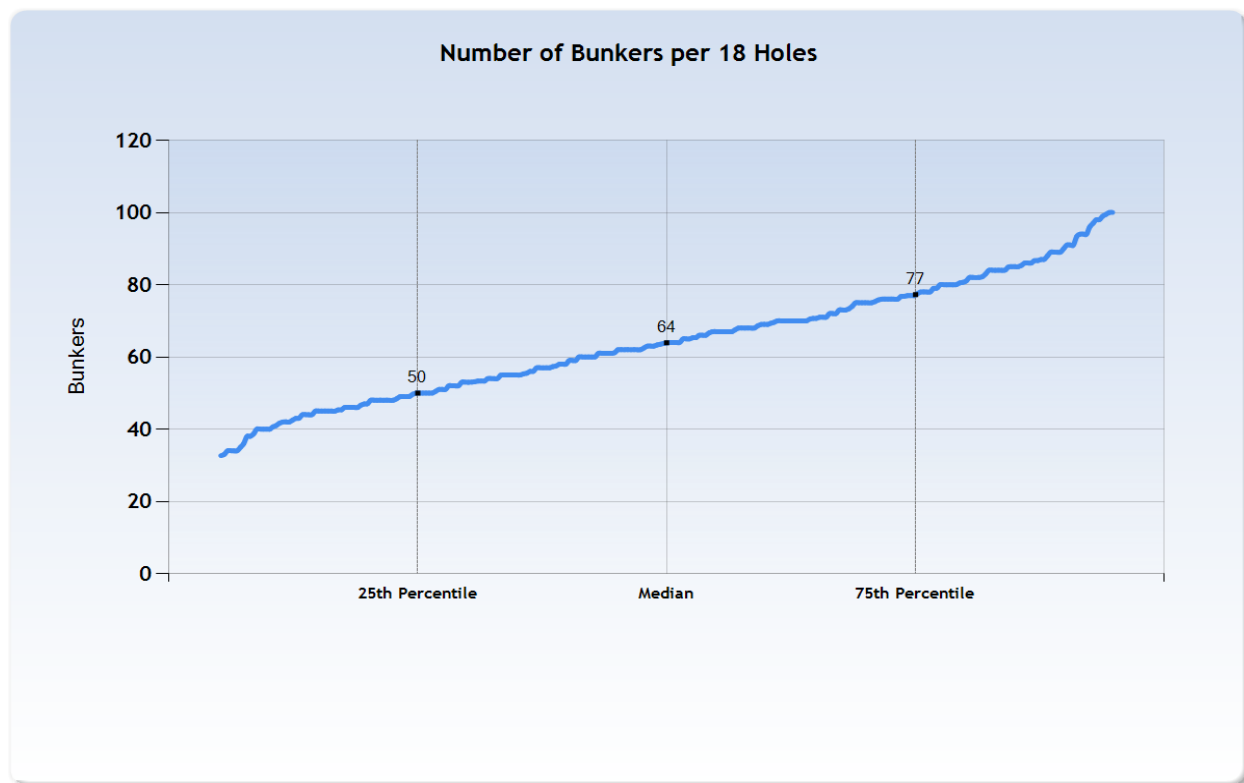
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Figure 43 – Acres of Fairway Per 18 Holes



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Figure 44 – Number of Bunkers Per 18 Holes



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Section XII – Golf Operations and Golf Shop

Unlike many industry surveys, this analysis separates Pro Shop revenue from Golf Operations revenue. There are essentially two types of revenue in golf operations: greens fees and golf car fees that are basically 100 percent margin, and pro shop revenue which tends to be around 25 percent margin. They have very different effects on the Available Cash.

In the golf operations function, the dominant sources of revenue are greens fees from guests of the members, greens fees from outings (an outing is an “outside” event typically on a Monday or Thursday), golf car/trail fee revenue, pro shop revenue and revenue from sundry golf operations areas (such as handicap, driving range, etc.). Greens fee revenue and golf car/trail are high margin revenue, while pro shop revenue is low margin revenue given the high cost of goods sold in the pro shop and the fact that not all clubs own the pro shop.

Distribution of pro shop ownership is shown in Table 21 in accordance with the market revenue segmentation. The obvious takeaway is the proportion changes materially in the small revenue market segment with no appreciable change across the other revenue segments.

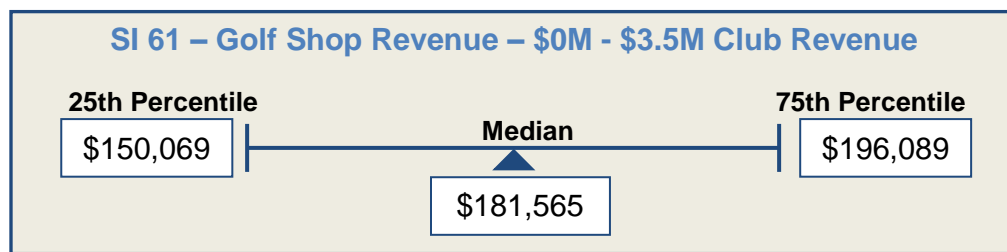
Table 21 – Distribution of Pro Shop Ownership

Segment	Pro Owns Golf Shop	Club Owns Golf Shop
Small	53%	47%
Lower-Mid	38%	62%
Upper-Mid	35%	65%
Large	26%	74%

This analysis will break golf operations revenue into its high and low gross margin components by zeroing in on high gross margin (Available Cash) revenue and low gross margin revenue.

Golf Shop Revenue and Gross Margin

Icons 61–64 below show the distribution of pro shop revenue within each of the market segments.



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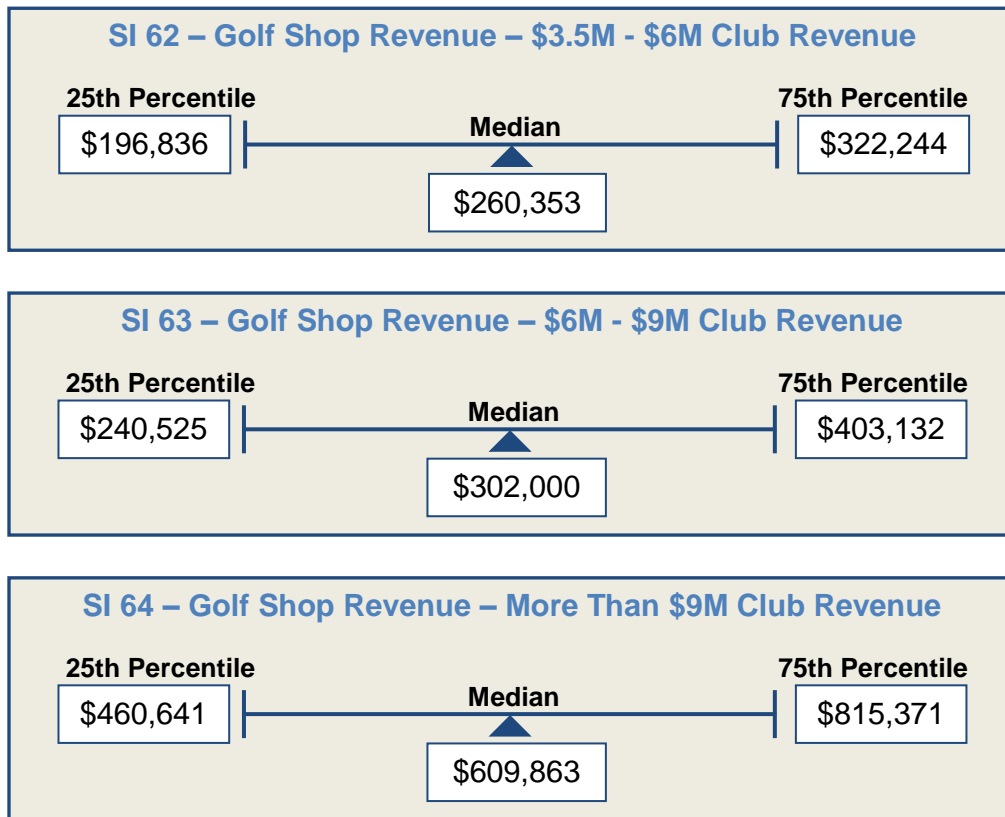


Table 22 shows the gross margin in the pro shop at the median for each of the market segments. As a rule of thumb, the median for pro shop gross margin is close to 25 percent.

Table 22 – Golf Shop Revenue and Gross Margin by Club Revenue Segment

Segment	Gross Margin at the Median
Small	23%
Lower-Mid	23%
Upper-Mid	25%
Large	27%

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Golf Operations Revenue and the Available Cash Model

Golf operations revenue includes greens fee revenues (from guest and outings) and golf car/trail fee revenue. Such revenue accrues to the club with very close to 100 percent margin. While it does cost money to run the golf operations function, the costs are necessary whether or not there were greens fees from guests and outings since the vast majority of rounds and activities are centered on members. Thus, golf operations staff is required and as such can be considered a “fixed expense” (as it is in the Available Cash Model). While there are no doubt incremental costs associated with golf operations revenue, they are marginal costs making the margin associated with golf operations revenue quite significant. In fact, the average club with golf generates 15 percent of its available operating cash from golf operations.

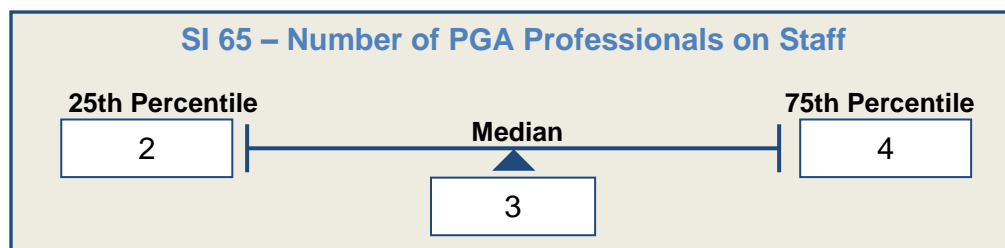
Table 23 below summarizes key golf operations metrics by revenue market segment.

Table 23 – Key Golf Operations Metrics

	Golf Operations Revenue Grouping	Small	Lower-Mid	Upper-Mid	Large
1	Median Golf Operations Revenue Within Grouping	\$430,202	\$648,278	\$788,680	\$1,546,795
2	Median Number of Total Rounds Played	15,619	18,676	22,000	31,590
3	Median Golf Operations Revenue Per Round Played (Based on Total Rounds Played)	\$27	\$41	\$43	\$53
4	Median Weekend Guest Green Fee	\$70	\$75	\$90	\$105
5	Median Car Fee Per Member	\$18	\$21	\$20	\$22

Golf Operations Labor

Icon 65 shows the distribution, across all market segments, for the number of PGA certified professionals on staff. Icons 66 and 67 show the distribution for golf operations and golf shop salaries and wages and payroll taxes and benefits labor across all respondents.



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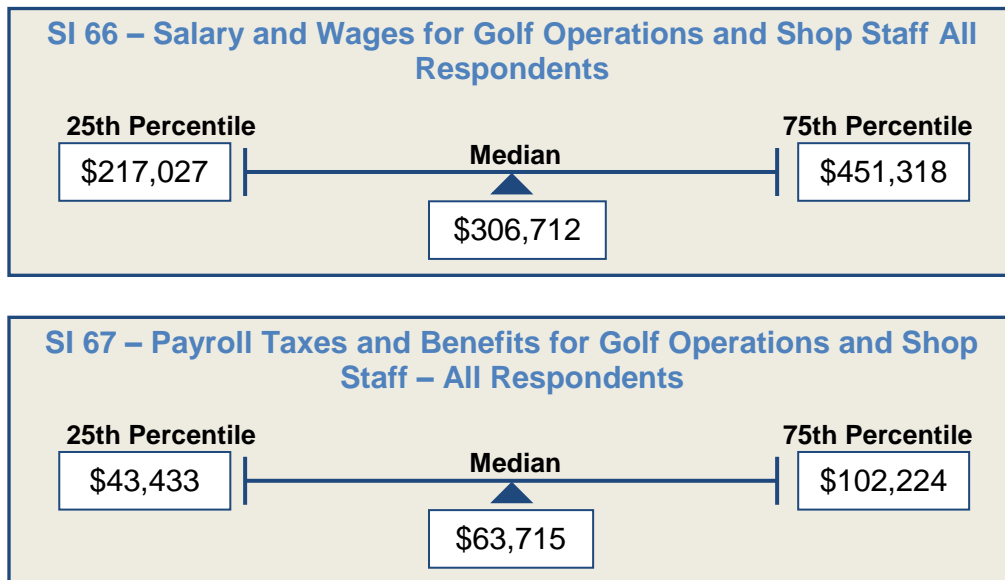
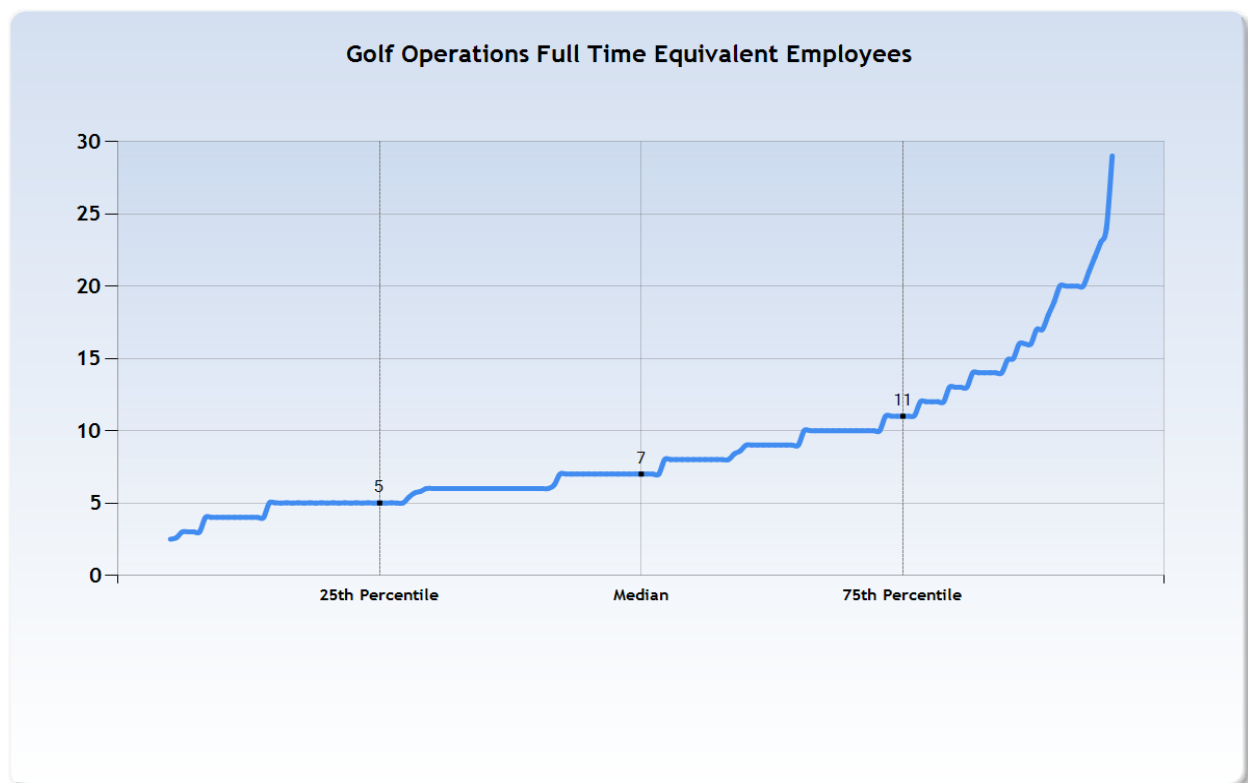


Figure 45 shows the distribution of Full Time Equivalents (FTEs) in the Golf Operations function across all market segments.

Figure 45 – Golf Operations Full Time Equivalents Employees



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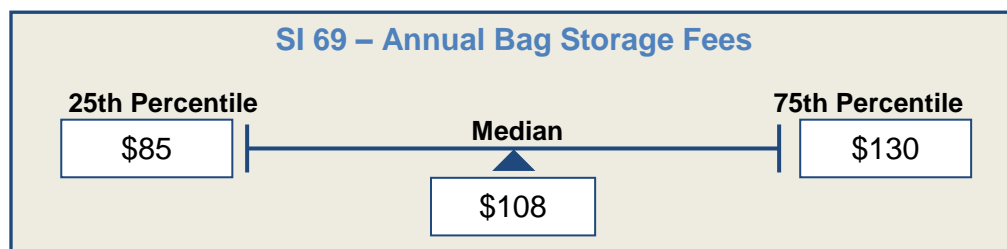
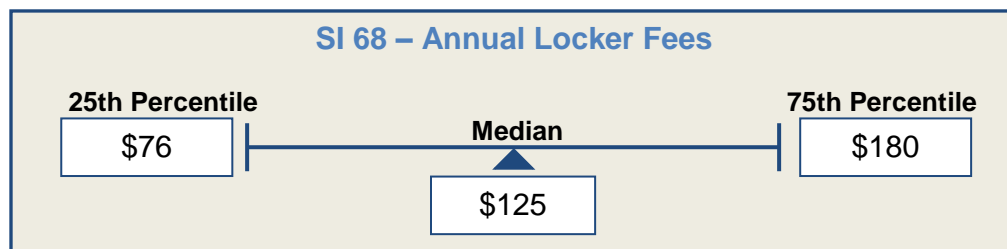
Sundry Golf Operations Items

Table 24 reports the responses to various items in the golf operations function.

Table 24 – Sundry Golf Operations Items

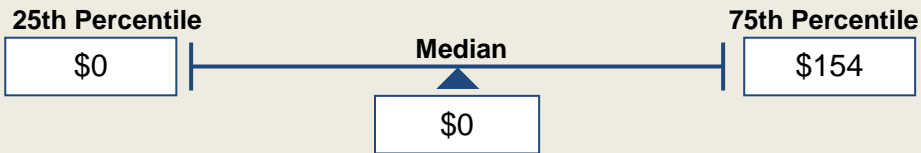
	Survey Item	All Respondents
1	Head Professional Is an Employee/Independent Contractor	Emp. - 75% Cont. - 4% Both - 21%
2	Walk and Carry Allowed	Yes - 93%, No 7%
3	Pull/Speed Carts Allowed	Yes - 77%, No 22%
4	Golf Programs Supported	
	Women's	98%
	Senior	63%
	Junior	90%
5	Club Holds a Professional Tour Event	No - 90%, Yes 10%
6	Club Has a Caddy Program	No – 68%, Yes - 32%

Icons 68-71 show the distribution of charges for locker rental, bag storage, driving range and handicap management. The format follows the standard quartile distribution. The distributions shown are for all market segments.

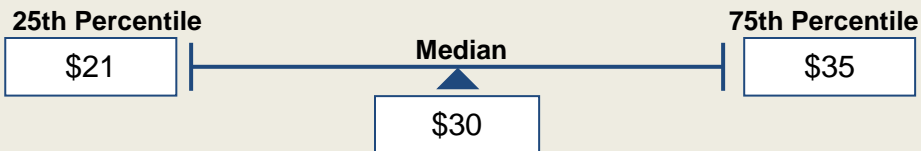


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SI 70 – Annual Driving Range Fees



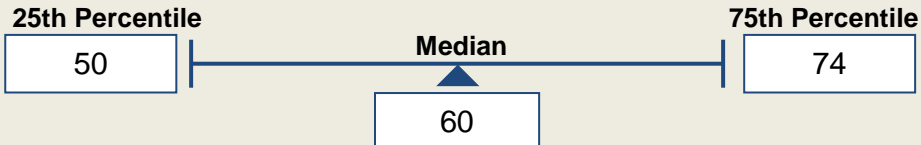
SI 71 – Annual Handicap Fees



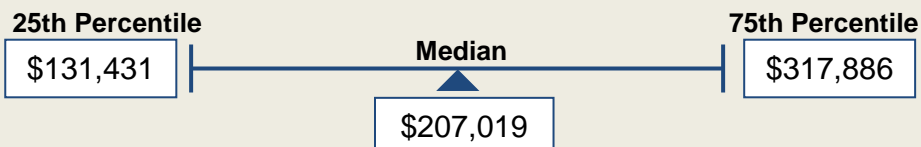
Golf Cars

Icons 72-74 show the percentile distribution associated with the various golf car metrics. The distribution shown is for all market segments.

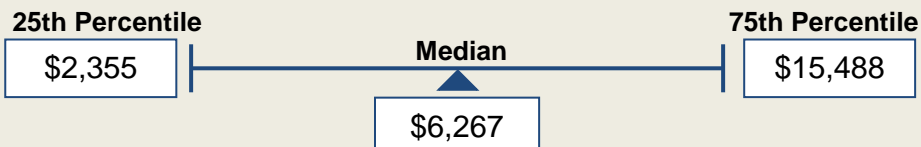
SI 72 – Number of Golf Cars



SI 73 – Total Golf Car/Trail Fee Revenue



SI 74 – Golf Car Maintenance and Operation Expense

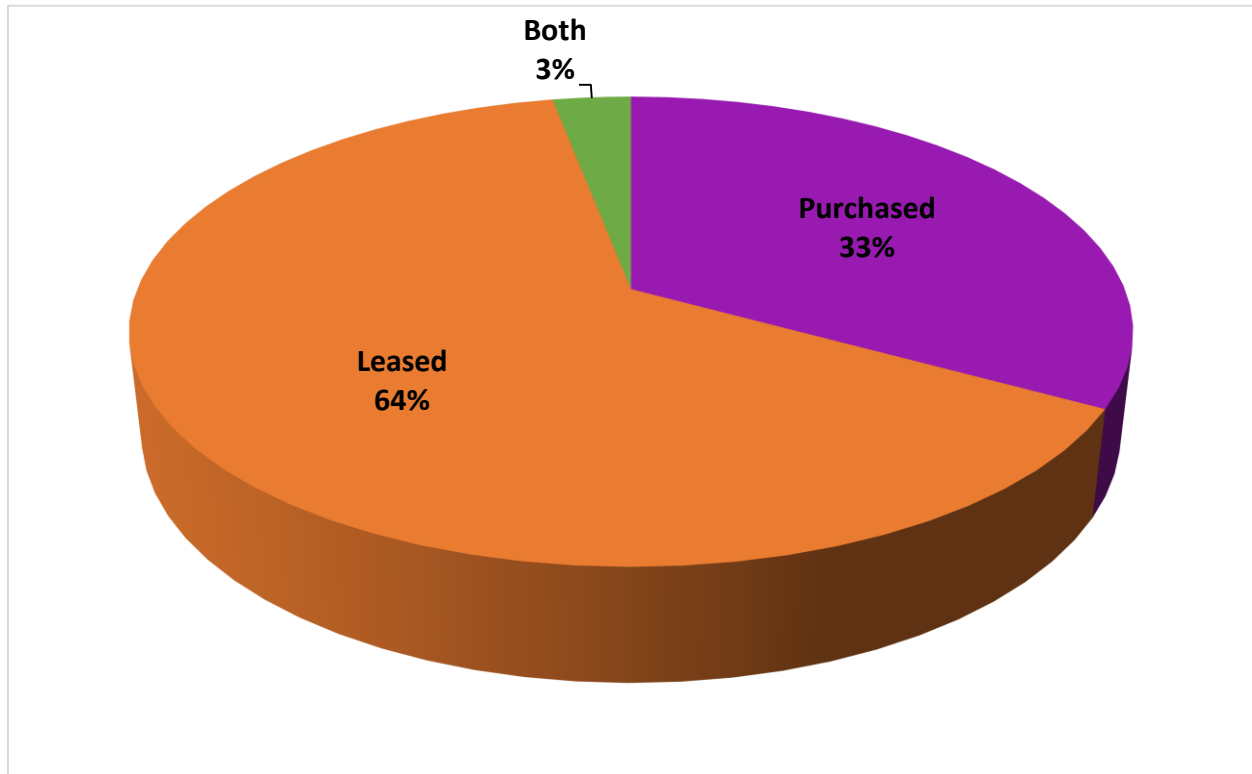


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Clubs control golf car revenue 90 percent of the time while the golf professional controls it at five percent of the responding clubs and the club pays the golf professional a commission at five percent of the responding clubs.

Figure 46 shows the manner of acquisition of golf cars across all market segments.

Figure 46 – Manner of Golf Car Purchase



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Section XIV – Appendix – State Grouping in Regions

West – California, Arizona, Nevada, Hawaii, Oregon, Washington, Alaska, Wyoming, Montana, Idaho (10 States)

Southwest – Utah, Colorado, New Mexico, Kansas, Oklahoma, Texas, Arkansas, Louisiana (8 States)

Southeast – Florida, Georgia, North Carolina, South Carolina, Tennessee, Alabama, Mississippi, Virginia, West Virginia, Kentucky, Washington DC (10 States plus DC)

Midwest – North Dakota, South Dakota, Nebraska, Missouri, Iowa, Minnesota, Wisconsin, Illinois, Indiana, Ohio, Michigan (11 States)

Northeast – Maine, Vermont, New Hampshire, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Delaware, Maryland (11 States)

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