# 2019–20 TRENDS IN PRIVATE CLUBS

RSM is proud to be an Education Partner of the
Club Management Association of America (CMAA)

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RSM

Fiddlesticks Country Club, Fort Myers, Fla.

# 2019–20 TRENDS IN PRIVATE CLUBS

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For more information about this report or any questions on RSM services please contact one of our private club industry team leaders listed below:


**Editors**
Philip Newman, philip.newman@rsmus.com
Tammy Tassitano, tammy.tassitano@rsmus.com

**Private Club Thought Leadership Center**
5551 Ridgewood Drive, Suite 401
Naples, FL 34108

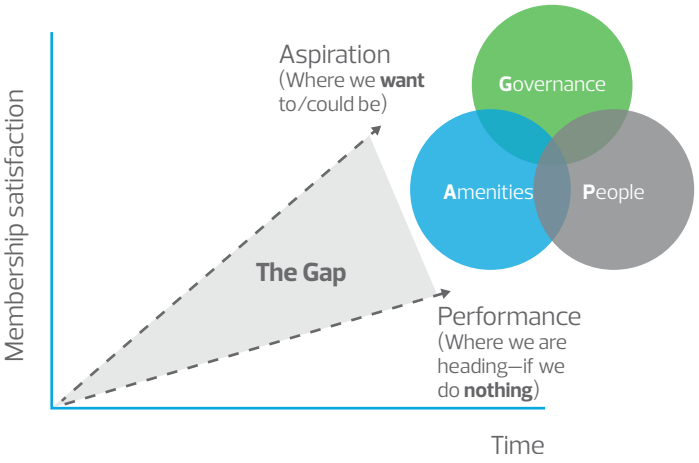
**Contributors**
Chris Cecil, chris.cecil@rsmus.com
Frank Compiani, frank.compiani@rsmus.com
Frank Lucas, frank.lucas@rsmus.com
David Luker, david.luker@rsmus.com
Ryan McAndrew, ryan.mcandrew@rsmus.com
Bob Salmore, bob.salmore@rsmus.com
Vanya Stefanov, vanya.stefanov@rsmus.com


*Cover images (clockwise):
Legends Golf and Country Club, Fort Myers, Fla.
Hunters Run Country Club, Boynton Beach, Fla.
The Country Club at Mirasol, Palm Beach Gardens, Fla.
St. Andrews Country Club, Boca Raton, Fla.

# PREFACE
# LESSONS FROM ACROSS THE POND...MIND THE GAP!

We have all watched from afar as one of the greatest political challenges of recent times has unfolded across the Atlantic: Brexit. In talking to our peers in the United Kingdom, they often remind us that there is a feeling their government has perhaps forgotten one of the oldest adages the British have for managing risk—mind the gap! Much more than just a warning on the station platforms of the London Tube, the mantra stands as a rallying cry for the care that must be taken in many aspects of business life too.

In this regard, we have seen many clubs continue to perform their own "gap" analysis as they try to determine how to deliver on the needs and wishes of their current and prospective members. Being able to close the gap between what their club can offer today and what it should be offering both today and tomorrow is key to sustainability.




What clubs typically come to realize is that their gap analysis boils down to three spheres of influence on club life: governance, amenities and people (GAP). Clubs that struggle often have discord in one or all of these areas. Similarly, improvements and focus in one or all three can catapult clubs forward rapidly toward increased sustainability and, ultimately, membership satisfaction.

Throughout this publication, we offer data and statistics that hopefully clubs will find meaningful and actionable as they seek to close their own individual GAP challenges.

Comments and questions on this publication and any aspect of club financial management are welcome.

Thank you to our professionals for their continued dedication to this industry, and thank you to the hundreds of clubs served by RSM for their continued support; we are honored that our firm has a role in their mission to create a meaningful experience for their members.

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Woodfield Country Club, Boca Raton, Fla.

Quail West Golf and Country Club, Naples, Fla.

# EXECUTIVE SUMMARY HIGHLIGHTS

## Averages per club, including data for clubs with common interest reality associations (CIRAs)

| | Florida statewide | Southeast without Boca | Boca Raton area | Southwest without CIRAs | Southwest CIRAs | North and central | Yacht and beach clubs |
|---|---|---|---|---|---|---|---|
| Total membership level | 820 | 630 | 990 | 680 | 990 | 910 | 750 |
| Full member equivalent (FME) | 690 | 560 | 850 | 520 | 890 | 770 | 650 |
| Mandatory membership | 60% | 40% | 94% | 43% | 100% | 46% | 17% |
| Employees – in season | 158 | 169 | 272 | 125 | 101 | 148 | 81 |
| Memberships (FMEs) to employees | 4.4 | 3.3 | 3.1 | 4.2 | 8.8 | 5.2 | 8.0 |
| Full membership – dues (2019) | $14,500 | $16,300 | $19,100 | $12,200 | $5,400 | $11,900 | $6,100 |
| Full membership – joining fees | $81,000 | $104,700 | $79,600 | $70,000 | $3,700 | $67,900 | $31,300 |
| Full membership – refundable equity percentages | 24% | 29% | 21% | 17% | 0% | 29% | 18% |
| Full membership – total annual cost (includes dues, assessments, minimums and service charges) | $20,660 | $22,658 | $25,920 | $17,680 | $8,330 | $15,810 | $10,490 |
| Full membership – % that had a dues rate increase | 88% | 84% | 100% | 93% | 89% | 79% | 72% |
| Clubs with an annual capital assessment | 72% | 56% | 76% | 82% | 84% | 75% | 56% |
| Clubs with an operating assessment | 2% | 4% | 0% | 4% | 5% | 0% | 0% |
| Third-party debt per FME | $10,120 | $14,300 | $18,530 | $11,420 | $1,940 | $5,230 | $5,970 |
| Combined revenues | $12,866,000 | $14,904,000 | $22,315,000 | $10,391,000 | $7,683,000 | $11,037,000 | $7,232,000 |
| Food and beverage (F&B) revenues | $2,456,900 | $2,661,200 | $4,022,800 | $1,960,900 | $1,491,200 | $2,445,700 | $2,340,100 |
| Food sales to $1.00 of beverage sales | $2.89 | $2.97 | $5.19 | $2.28 | $2.28 | $2.25 | $2.19 |
| F&B subsidy to combined F&B sales | 55.3% | 53.3% | 89.9% | 38.6% | 45.8% | 36.6% | 18.6% |
| F&B departmental subsidy | $1,358,600 | $1,417,100 | $3,611,400 | $755,500 | $682,500 | $895,500 | $437,200 |
| F&B departmental subsidy: Total dues revenue | 17% | 16% | 24% | 12% | 15% | 14% | 12% |
| F&B departmental subsidy per FME | $1,970 | $2,530 | $4,250 | $1,450 | $770 | $1,160 | $670 |
| Golf course maintenance (GCM) 18 holes – rounds | 26,500 | 17,500 | 22,200 | 25,600 | 40,800 | 24,100 | n/a |
| GCM 18 holes – cost per hole | $95,800 | $112,100 | $99,800 | $96,600 | $85,700 | $86,300 | n/a |
| GCM 18 holes – GCM cost: Total club operating expense | 24% | 25% | 15% | 29% | 23% | 21% | n/a |
| GCM multiple course – rounds per 18 holes | 25,400 | 25,100 | 23,900 | 23,400 | [1] | 27,300 | n/a |
| GCM multiple course – cost per hole | $89,200 | $89,200 | $90,800 | $95,000 | [1] | $77,100 | n/a |
| GCM multiple course – GCM cost: Total club operating expense | 22% | 20% | 15% | 28% | [1] | 23% | n/a |

Note: [1] The Southwest CIRA region has insufficient data for multiple courses.

# DEAR FELLOW TREASURER, PLEASE LEARN FROM MY MISTAKES!

Club treasurer is undoubtedly one of the most important and influential roles on any private club board, and there is nothing really that can fully prepare an individual for the role. While an understanding of business concepts and accounting jargon, and a solid orientation process will be of great help, even then we hear of many situations where both the treasurer and club management become frustrated with their mutual relationship.

While we can certainly offer our own observations on what works best in these relationships, we know that messaging is often more powerful when it comes from peers and not consultants. What do's and don'ts are high performing clubs following to help their treasurers succeed? We reached out to a number of some of the most successful clubs and treasurers around the nation and sought their advice. Perhaps not surprisingly, consistent themes emerged rather quickly from our discussions. Here is the advice we heard from club treasurers:

- Be a "balance sheet" treasurer to the board, the finance committee and management. The treasurer's goal should be to help grow the club. Resist your initial inclination to try to manage the operating statement. While you no doubt are or were very successful doing just that in your own business, just remember that at a club, running the operation is management's job.
- Lead your team. Club managers and controllers want their treasurer to be successful and, in most cases, see them ultimately become board chairman or president. There are things that your club financial management team is good at as well as things they don't get excited about—it will be the same for you as club treasurer. Help your team find ways to help each other with their weaknesses and capitalize on their strengths. Always remember how small, in a typical club, your team is. Unlike in your corporate life, there probably isn't an army of data analysts ready to mine an enterprise reporting system for a key trend twenty minutes before a board meeting. Have a sense of scale when working with your team and try to avoid creating "busy" work. When requesting additional analyses and reports, think first if the knowledge gained could potentially result in a change in operation or direction—if not, then why are you asking for it?
- Don't try to change how everything is being done in terms of your club's financial reporting just because it might not work for you initially. Be upfront with your team and proactively discuss what you're not getting and collaborate to come up with a solution that takes everyone's thoughts into consideration, including the time and effort it's going to take to make those changes. Don't reinvent the wheel just for the sake of making it more round!
- Recognize that your team wants to learn with you. They know how lucky they are that you have been an incredibly successful person in your chosen field, but they don't necessarily want you to try to relate every aspect of the club operation to your career—not everything translates in an apples-to-apples fashion. Your club financial personnel want you to help them grow as professionals by working with you and not feeling like they are working for you.
- In addition to working with your management team, you will also need to proactively manage your fellow board members and finance committee members. When it comes to the finance committee, remember that you are in charge. You need to set the tone, vision and direction of your committee. You will need to provide your committee members with an understanding of the purpose of their work so that meetings are more productive. If your committee doesn't have a charter, then develop one! Refer to it often—at least annually, but don't be hesitant to begin every meeting with a reference to it in an attempt to guide the meetings and, if necessary, to rein-in "rogue" members.
- Establish a sense of purpose for your committee members. Set goals for them and yourself that are congruent with the board's overall goals. Stop committee members from bringing personal agendas to the committee and constantly remind them of their obligation of confidentiality to their fellow committee members and to the debate that takes place in the meeting room. For those committee members with an eye on your job, show them how it is done and memorialize your approach—it's a great leadership trait to be able to groom a worthy successor.

Ultimately, as your club's treasurer, your overall goal is to promote financial decision-making and practices that benefit the membership as a whole. You won't be able to please everyone, but with well-documented transparency and consistent communication with members and staff, you will safely steer your club financial performances forward.

St. Andrews Country Club, Boca Raton, Fla.

# TRENDS FROM THE BALANCE SHEET

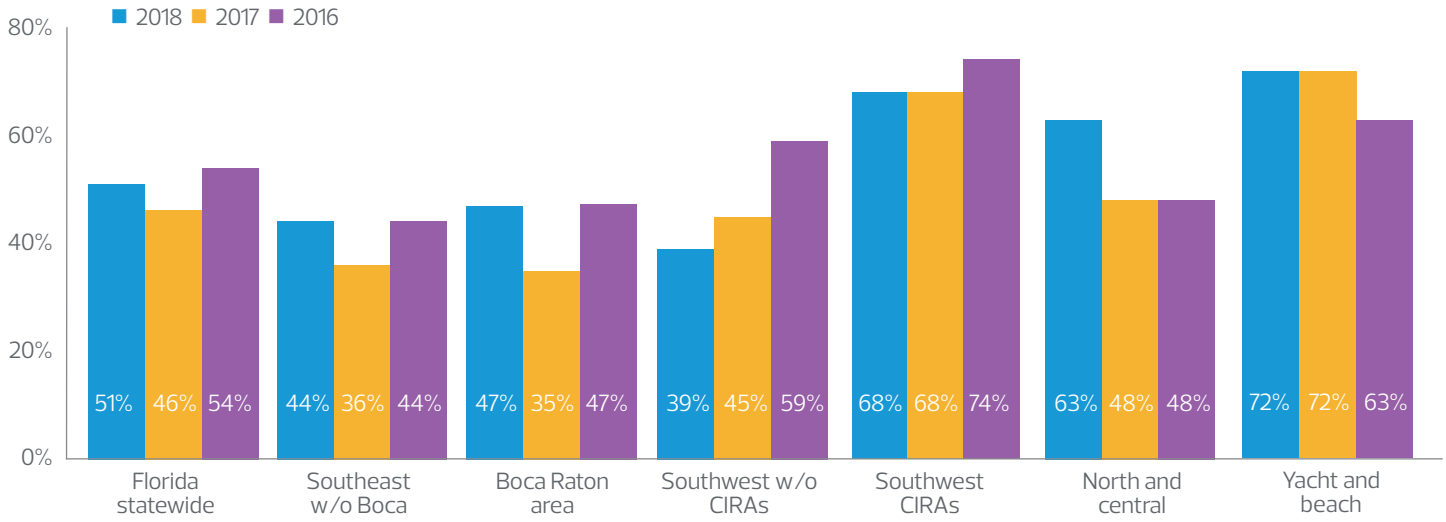
The past year has seen continued activity in the club redevelopment arena, with various projects either in process or scheduled to break ground shortly after the end of the season.

When considering a significant capital project, clubs must take care to ensure the physical facilities under consideration and the related capital budget and financing are congruent with the overall strategic vision for the club. In doing so, a long-term view is essential, as is honesty with the members with regard to cost and the extent of individual cross-amenity utilization. Some members may not take fitness classes, but their neighbor may. Some may not play pickle ball today, but may in the future. Some may never use a card room or the spa, but a future buyer may. If clubs had to achieve their voting threshold for the improvement of each amenity incrementally, they might never enhance anything.

Open dialogue with members is essential if a club wants to successfully move forward with a significant capital plan. How does open dialogue manifest itself? For one club, it involved 1,458 member surveys, focus groups covering 100 participants, 39 information sessions involving 900 members, followed by further 28 information sessions attended by 600 members. When it comes to capital planning, members really want to be heard and perhaps more than on any other aspect of club life. And of course, members absolutely should be heard on such issues, with average club joining fees in Florida at $81,000 for 2019.

Quality physical facilities are a critical component of member recruitment and retention efforts; however, they should not be the only component of member development. Clubs that do not have membership development plans will face a challenging future. And while the concept of "build it, and they will come" may no longer hold true, clubs that do not have membership development plans and are failing to maintain their facilities might as well set a formal timetable for turning out the lights.

**Percentage of clubs with positive working capital**



Looking at capital spending trends in 2018, these now stand at $5,090 per full member equivalent (FME) on a statewide basis, or $21,940 per FME on a cumulative five-year basis. This is all part of the continuing process of meeting member expectations and remaining competitive. Capital improvement programs in clubs often involve much emotion and occasionally heated discussion since not all members agree on all matters all of the time. Clubs should bear in mind however that exercising fiduciary responsibility doesn't just mean watching the nickels and dimes. Rather, fiduciary responsibility (that is, the legal responsibility to act in the best interests of others) will involve spending significant dollars to maintain or enhance club facilities.

The questions then become: Which facilities should we improve, how should we improve them and how much should we spend?

Clubhouse renovations, including enhancements of casual dining offerings, wellness centers and pool area expansions, are all increasingly popular as clubs seek to broaden their appeal beyond being viewed solely for golfing or yachting, and communities transform themselves into a resort-style living model.

When and how much to spend are, of course, questions which need to be considered by each club pursuant to its mission as it is understood by the membership. However, based on our data roughly 42% of the clubs included in this report are planning what they consider to be significant projects within the next 12 months, with an average spend planned in excess of $6.4 million. In the aggregate from 2016—2018, clubs in the state have spent in excess of $1.2 billion on capital improvements over that three-year period, with a further $467million aggregate planned spend in 2019.

The way in which clubs pay for these improvements is, again, a decision to be made by each club. However, the proportion of clubs carrying some form of third-party debt has been consistent with 77% of clubs statewide carrying debt. Looking at this on a per-member basis, debt per FME has increased to $10,120 in 2018, from $9,150 in 2017. Bear in mind though that the debt-per-member number for an individual club will usually correlate with the life cycle of its physical assets. If a club has a higher than average debt-per-member figure, it could be because it has newer facilities.  In the case of a more exclusive club with a smaller membership, the debt-per-member figure is generally higher as the cost of facilities renovations are spread over fewer members.

Where does all this investing and financing activity leave clubs in terms of their capital strategy dashboard? Here are the key statistics clubs are tracking in that regard:

| Capital stategy dashboard | | |
|---|---|---|
| Key metric | 2018 Florida statewide | 2017 Florida statewide |
| Working capital | 1.01 | 0.94 |
| Debt:equity | 0.54 | 0.51 |
| Capital spending: depreciation (7-year cum.) | 149% | 143% |
| Capital spending per FME (5-year cum.) | $21,940 | $19,240 |
| Net property and equipment per FME | $36,180 | $34,640 |
| Debt per FME | $10,120 | $9,150 |
| Net assets per FME | $30,790 | $30,220 |
| Current refundable equity | 24% | 29% |

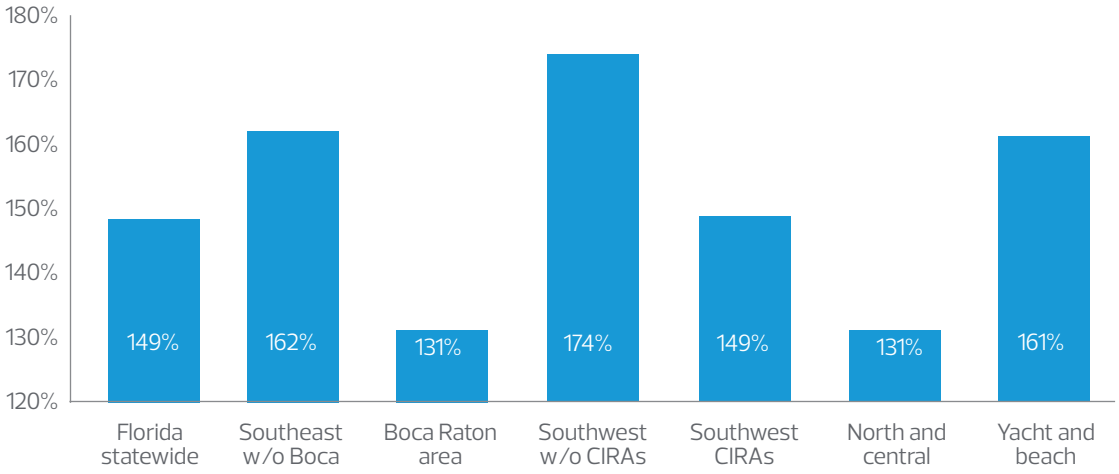
Additionally, clubs focused on long-term financial sustainability understand that there are two key line items that need to be at least maintained, if not increased, each and every year: net book value of property and equipment, and members' equity. In 2018, Florida clubs on average increased both these metrics by 6% and 3.4%, respectively.

By monitoring these key balance sheet metrics and how they move over time and in conjunction with one another, clubs can actively monitor how quickly they are reinvesting in their amenities, the debt leverage they are willing to accept to fund the improvements and, ultimately, the consequential impact on members' equity. Each of these metrics, by region and by operating revenue level, are available throughout this report.

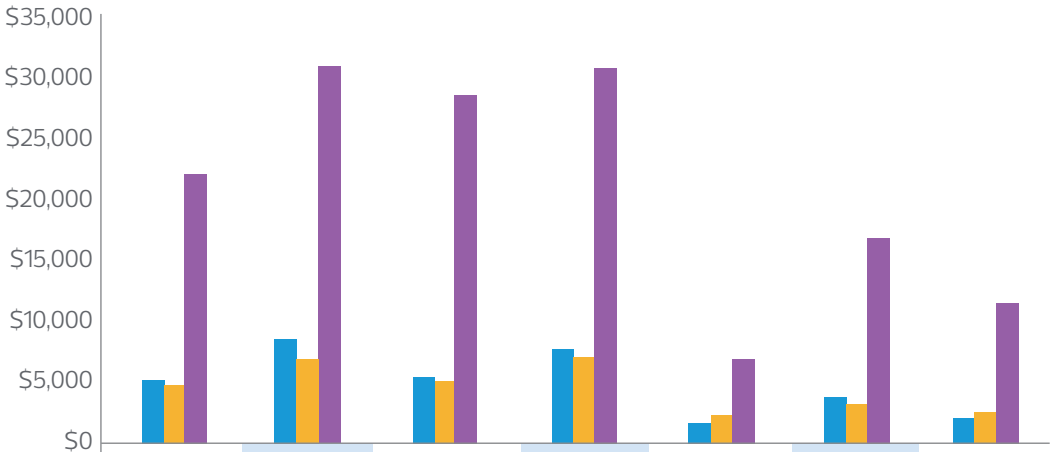
In conclusion, capital planning and funding requirements form an essential component of a club's strategic plan. Clubs are in the membership business, and physical facilities must serve to meet the expectations of both the current and prospective membership.

Orchid Island Golf  Beach Club, Vero Beach, Fla.

## Routine capital improvements to depreciation expense (average 2011–2018)




## Capital improvements per FME

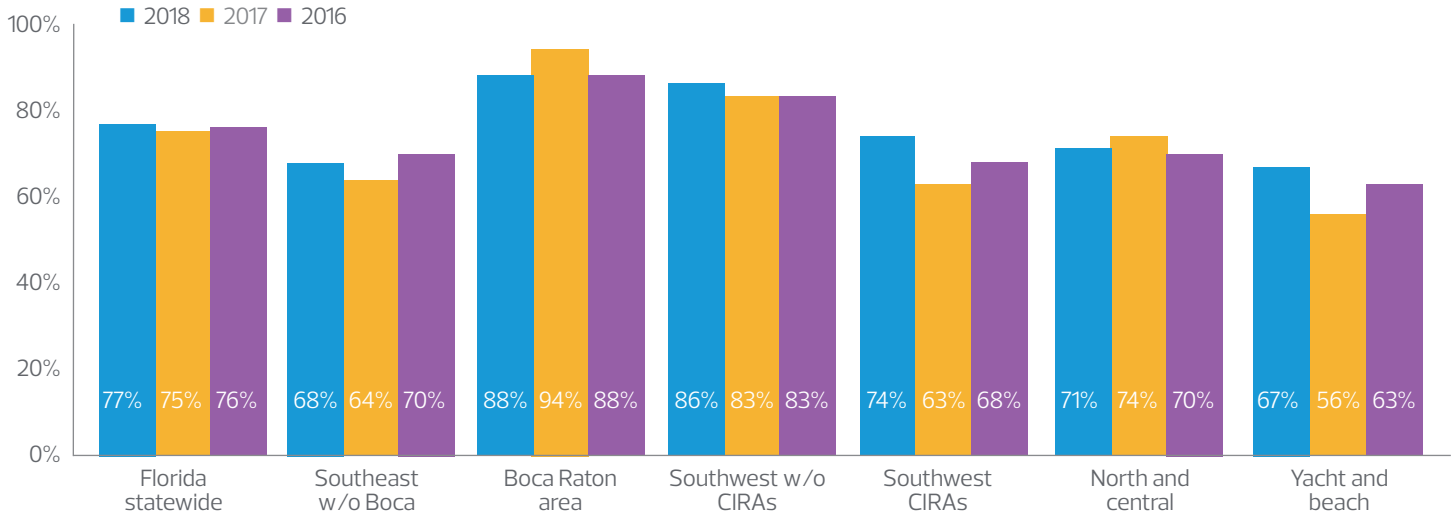



| | Florida Statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment (PP&E) additions per FME 2018 | $5,090 | $8,530 | $5,290 | $7,600 | $1,450 | $3,600 | $1,930 |
| PP&E additions per FME 2017 | $4,580 | $6,850 | $4,950 | $6,860 | $2,190 | $3,010 | $2,410 |
| Cumulative 5-year total (2014–2018) | $21,940 | $30,900 | $28,430 | $30,700 | $6,800 | $16,660 | $11,360 |
| Ending PP&E NBV (net book value) per FME 2018 | $36,180 | $50,770 | $47,190 | $48,440 | $12,250 | $27,930 | $16,660 |

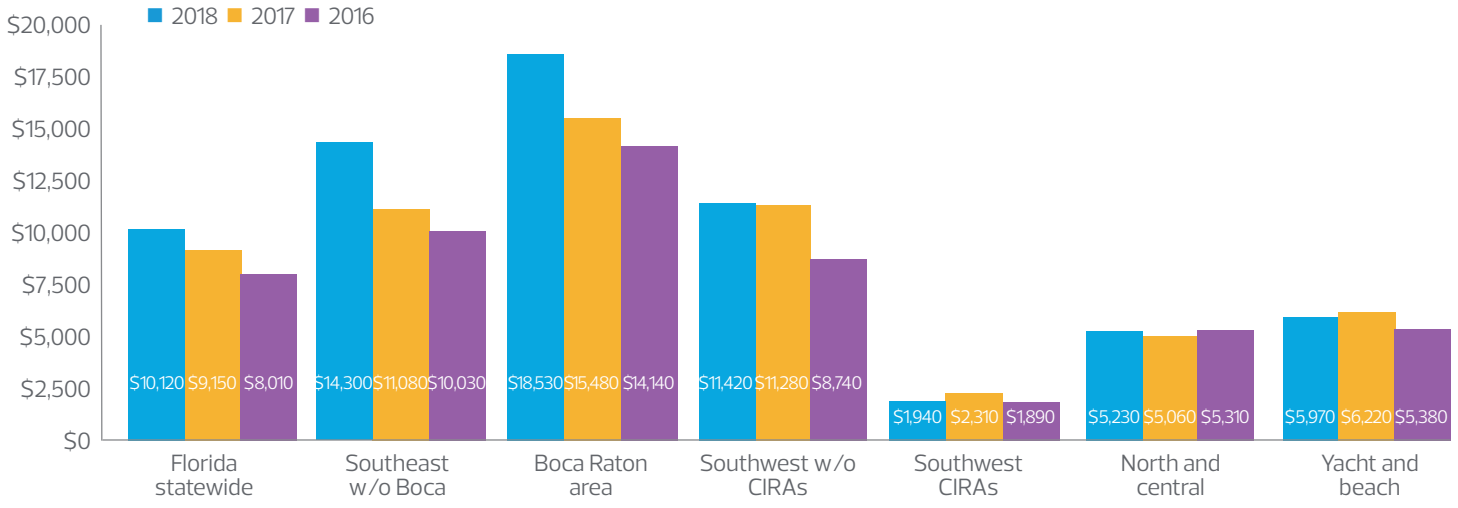
## Significant planned projects

| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| Percentage of clubs with significant planned projects in year ahead | 42% | 36% | 47% | 46% | 37% | 46% | 67% |
| Budgeted project amount (in thousands) | $6,368 | $8,650 | $10,114 | $6,737 | $2,864 | $4,117 | $5,793 |

## Percentage of clubs with third-party debt




## Third-party debt per FME



# THE OFTEN-FORGOTTEN ELEMENT OF CLUB GOVERNANCE: MANAGEMENT OF CAPITAL PROJECTS

Large capital construction projects bring with them myriad risks, opportunities and potential disruptions to everyday life for both club management and the membership. As such, it is critically important that consideration is given to the individual roles and responsibilities of each member of the project team, and that the numerous third-party vendors engaged by the club to execute the work are held accountable through regular monitoring. General attributes of a successful project team are as follows:

**Project manager**

The project manager serves as the "quarterback" for the project, and should be an employee of the club with the availability and technical proficiency to lead a team through a dynamic and changing environment. The project manager should host or attend regular meetings with the third-party vendor team, and is the club's primary line of defense when it comes to third-party vendor oversight and contract compliance monitoring. A good project manager helps to keep the team on task and working to accomplish high-level project goals. The project manager should closely monitor the project's budget and schedule, and is the primary conduit between the project and club governance (committee and board). It is the project manager's responsibility to know current project conditions, and elevate any instances of potential delay or cost increase to club governance immediately.

**Committee(s)**

Committees offer a valuable extension of the board, and can provide key club stakeholders with an opportunity to dive deeper into project issues or decisions without monopolizing important board meeting time. The board should be careful to specifically define the roles and responsibilities of any committee(s), and should hold committee members accountable to staying within the scope of their charter. Committees should hold regular monthly (or bimonthly) meetings, during which they should review written reports pertaining to the project's budget, spend and schedule. Each meeting should be documented via a set of minutes, which should be distributed to each attendee shortly after the meeting is held.

Typically, a building committee is established to provide a layer of oversight and project monitoring that falls somewhere between the board and daily project management. This committee should be careful to not involve itself in day-to-day project decision-making, but should endeavor to trust the design and construction management professionals the club has engaged for those services. If detailed design issues are to be addressed by a committee, those should be established under a separate charter from the primary building committee.

**Accounting**

Club accounting staff can play a vital role in supporting successful construction project management if compliance and accounting procedures are structured appropriately. Construction invoices and change orders include myriad compliance requirements, supporting documents and mathematical calculations. Determining who is going to perform simple tasks like recalculating invoices, reconciling labor records and validating the completeness of lien waivers is critical to ensuring the club maintains a complete and accurate record of the project. With more complicated contracting arrangements becoming the norm (e.g., guaranteed maximum price, design build and construction management), it has never been more important for accounting and project management to work closely at project inception to define procedures and appropriately control the club's financial risk during the project.

**Vendor(s)**

Delivering a successful capital project is the result of careful planning and execution by thousands of people, from hundreds of different companies and organizations. Selecting vendors with proven experience and who work well together is the cornerstone of a great project. Design, construction and project management professionals must work closely together to ensure the club's vision for its project is realized, and it is club management's responsibility to oversee this effort.

Setting clear expectations and holding vendors accountable to key deliverables required by their contract during early phases of the project is the most effective way to ensure a healthy balance of professionalism during execution. Club project management should meet with each major vendor early and often to define general reporting requirements, and to set forth the appropriate invoicing and change management protocols. This is exceptionally important for the prime construction contractor's first invoice. Once the prime contractor is selected, a meeting should be held between the contractor and club management, the design team and the owners' representative (as applicable) to discuss the structure of the invoice, and what will constitute acceptable support for invoices going forward.

BallenIsles Country Club, Palm Beach Gardens, Fla.

# LUNCH IS FOR WIMPS: TALKING CLUBS WITH THE WOLVES OF WALL ST.

It's a great feeling when you spend an hour explaining a foreign concept to someone which ends with that person reciting back your own philosophy: "So what I'm hearing is: Keep the amenities fresh, keep your people happy and listen to the members' needs, and that will drive the top line?" Yes, I answered, that is how you run your club like a business in 2019.

Recently one of my partners who works in the private equity investment space reached out for advice. She has a client who was considering some deals in the private country club arena. Like all good investors, this client wanted to understand what he might be getting into before inking the check.

Speaking with such Wall St. types is always an interesting experience—there must have been a dozen people on the call, all ready with questions about my thoughts on clubs and in particular, what my perspective was on the current state of the industry. So how does one start explaining the sometimes counterintuitive business world of private clubs to a bunch of high-powered finance executives? Well I figured the one concept they understand better than most is risk—so we started there!

Dealing with risk is a core management function for any business, and clubs are certainly not any different in this regard. While most clubs do not typically have a formal risk assessment process in place, a strategic approach to risk management is becoming more commonplace. One nationally recognized club, having formalized its risk management process, identified seventeen separate categories that the club is now trying to address with robust risk management strategies. While the identified risk categories range from property risk to security risk to legal risk, the most significant risk identified was reputational risk and the fear of brand abasement. All clubs should monitor this risk.

How can a club guard against reputational or brand risk? By continually reinvesting in its brand. Clubs have done this in a number of ways and no doubt, much of the $1.2 billion of capital improvements that occurred in Florida clubs alone from 2016–2018 was triggered by a keen awareness by club leaders that they needed to protect the quality and reputation of their club's amenities. In the words of the president of one prominent Florida club, "If you don't keep up you fall back. We know we have to keep doing things in order for us to be at the top level, which is where we are now."

I took care to explain to my audience that it is certainly not just a case of "build it and they will come"! Along with amenity investments must come investments in the club's people—the other brand differentiator. Clubs guard against reputational risk by seeking out the best-trained people for every department and constantly focusing them on delivering on the club's mission and vision statements. Henry Ford is quoted as saying "the two most important things in any company do not appear in its balance sheet: its reputation and its people." Smart investors, like successful clubs, know this and invest in protecting both.

The war for talent is real and clubs are competing with others not only within the industry, but elsewhere. Think hotels, restaurants, assisted living facilities—all are competing in the same talent pool as private clubs. The demand for foreign labor to supplement local workers has arguably never been greater and many clubs that would never have historically considered exploring this route are now deep into planning for it.

Consider the 750 or so Hilton Hotel properties that have been undergoing significant upgrades to their back-of-the-house areas to improve working conditions for employees. Hilton's chief human resources officer pointed out, when asked about the improvements, "Our mission is to be the most hospitable company in the world...We can't have a dungeon-like back of house and expect people to have a great workplace." How many clubs really think about this space during renovations? Labor is the new oil and clubs have to be prepared to go the extra step when possible.

And finally, we came to it: what every financial analyst wants to understand for any business...what drives the top line? My two-word response may have sounded trite, but I have spent almost thirty years dealing with all types of clubs, so it came automatically... member satisfaction. I would have understood if at this point they wanted to end the call because achieving member satisfaction is something that often requires the counterintuitive business decision-making mentioned earlier.

Seasoned club chief operating officers know that sometimes they have to take the long view with keeping members happy so that long-term fiscal rewards accrete to the club. Retaining a focus on member satisfaction is vital to ensuring a healthy and financially stable club as measured in terms a financial executive understands—of a stable and growing "customer" base of dues paying members. Once the investors understood that their number one revenue-generating production line was "dues income," and that it typically supplied at least 50% of operating revenue, they did not need me to explain they needed to avoid anything that would damage it. Consequently, it was relatively easy discussing the economic realities of a club's food and beverage operation. They quickly understood that the food and beverage production line existed to serve one purpose—to keep the dues paying member happy and protect the "almighty dues dollar" production line.

As we wrapped up the call, they finally expressed concerns about the dire press coverage that golf has received in the last decade. I explained that rumors of the game's demise had been greatly exaggerated. After all, TopGolf is booming and Tiger is back winning The Masters.... What better time to get into the market?!

Pelican Marsh Golf Club, Naples, Fla.

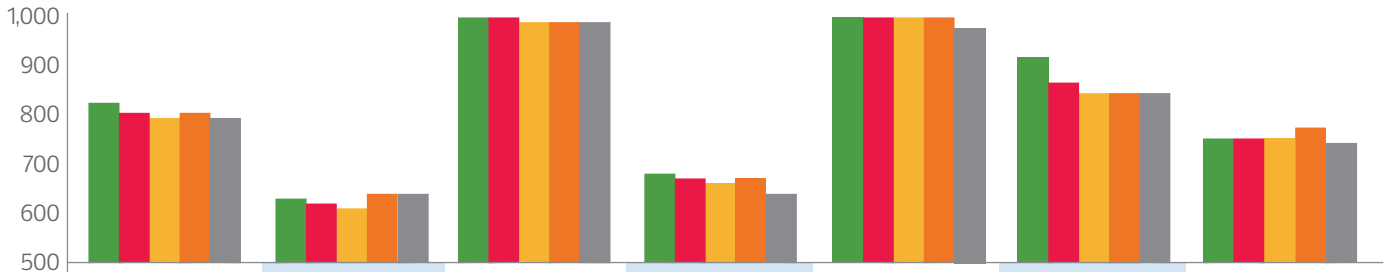
# FULL MEMBERSHIP EQUIVALENTS, DUES, JOINING FEES, AND OPERATING REVENUES AND EXPENSES

Clubs are today, as they always have been and always will be, in the dues business. The demand, however, for different types of membership offerings and price points has led many clubs to create many different membership classifications. For this reason, many clubs have begun using full membership equivalents (FMEs) as the metric for determining per-member revenue and expense data for budgetary purposes. FMEs are computed by dividing total dues revenue for a club (for any given period) by the dues rate for that period. We believe using FME allows for better club-to-club comparisons and analyses, and has included a number of data points based on the metric in this report.

Dues revenue remains the financial lifeblood of every club and reliance on it has become more pronounced over the last 10 years. Clubs have realized that the need to have the dues-paying member is often more important than what that member pays to join the club. This has led to many joining fee programs being introduced at clubs. Many have moved away from the refundable joining fee model, finally acknowledging that it is, by definition, a business model that benefits developers and thus not intended to sustain long-term financial viability of clubs.

While dues comparisons among competing clubs are often-quoted statistics, many differences exist between the "advertised" dues price and the total cost that members are required to pay each year before they even set foot in the club. Other fixed charges of membership, such as capital assessments, operating assessments, food and beverage minimums, and mandatory service charges, can lead to a very different conclusion being drawn as to which club offers the best value proposition. At $20,660, the statewide total annual cost of being a full member in 2018 reflects the all-inclusive cost of membership, regardless of whether one uses the amenities or not.

### Number of total memberships

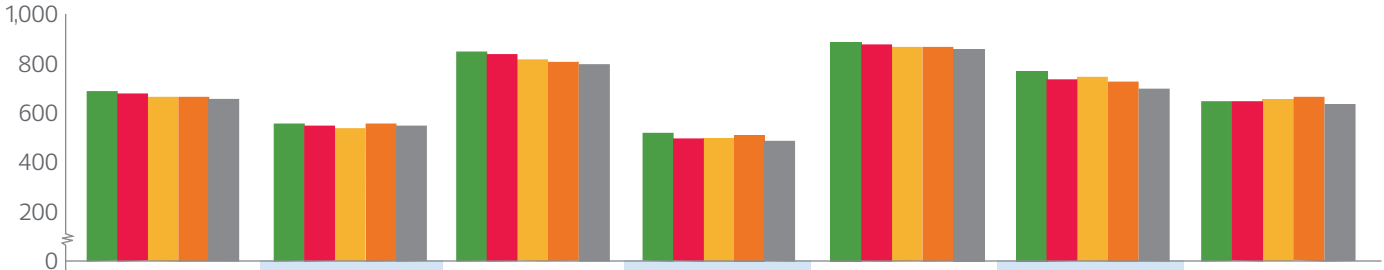



| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| 2018 | 820 | 630 | 990 | 680 | 990 | 910 | 750 |
| 2017 | 800 | 620 | 990 | 670 | 990 | 860 | 750 |
| 2016 | 790 | 610 | 980 | 660 | 990 | 840 | 750 |
| 2015 | 800 | 640 | 980 | 670 | 990 | 840 | 770 |
| 2014 | 790 | 640 | 980 | 640 | 970 | 840 | 740 |

Dues, as a percentage of total operating revenues, have remained around the 62% mark. Of every dollar of operating revenue received by a club, almost 61 cents comes from dues. It remains critical therefore to increase dues modestly each and every year. Dues for 2019 are increasing by 6% on average—reflecting the increasing cost pressures coming from the labor market.

Payroll remains the largest component of the club operating expense at 52% of total operating expenses and approximately 51% of total operating revenue. In terms of per FME cost, payroll and related expenses averaged $9,600 statewide, with one employee serving 4.4 memberships. Compare this with the corresponding 2017 levels of $9,300 and 4.5 and it can be seen that clubs are moving compensation upward while maintaining membership service levels. A club's brand is its staff and its staff is the club's brand.

## Full member equivalent (FME)

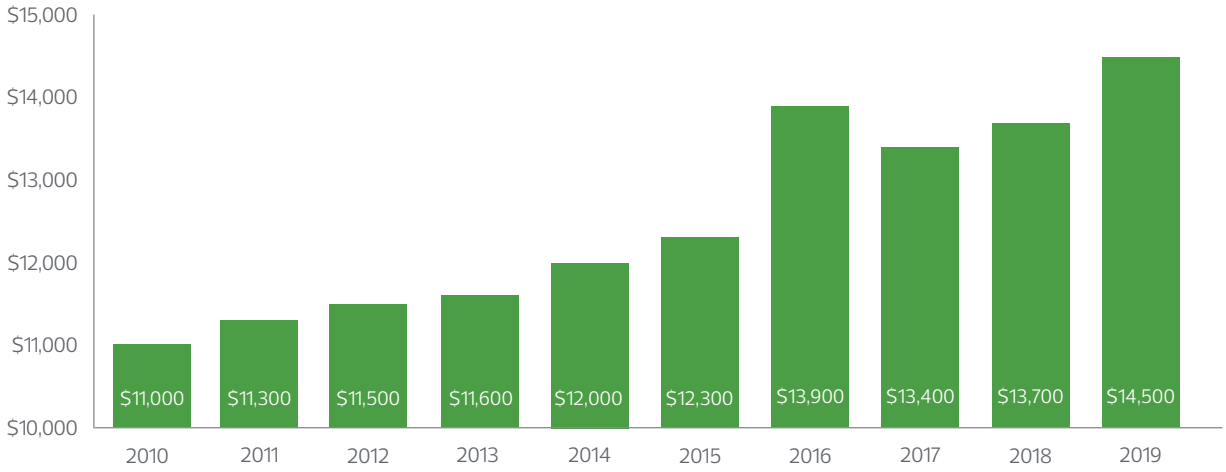



| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| 2018 | 690 | 560 | 850 | 520 | 890 | 770 | 650 |
| 2017 | 680 | 550 | 840 | 500 | 880 | 740 | 650 |
| 2016 | 670 | 540 | 820 | 500 | 870 | 750 | 660 |
| 2015 | 670 | 560 | 810 | 510 | 870 | 730 | 670 |
| 2014 | 660 | 550 | 800 | 490 | 860 | 700 | 640 |

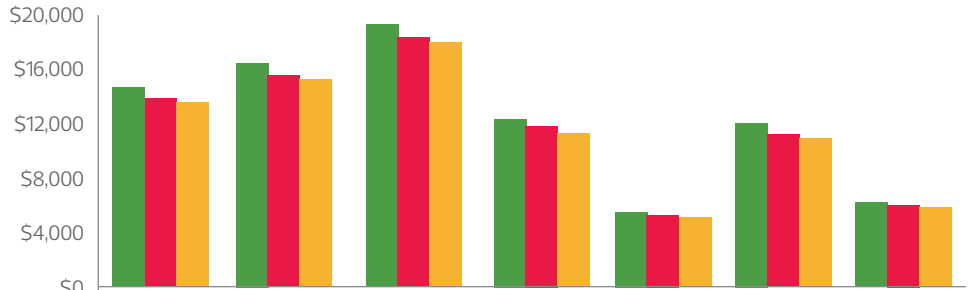
## Dues (full membership)

| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| 2019 | $14,500 | $16,300 | $19,100 | $12,200 | $5,400 | $11,900 | $6,100 |
| 2018 | $13,700 | $15,400 | $18,200 | $11,700 | $5,200 | $11,100 | $5,900 |
| Change | $800 | $900 | $900 | $500 | $200 | $800 | $200 |
| % change | 6% | 6% | 5% | 4% | 4% | 7% | 3% |

## Full membership dues statewide

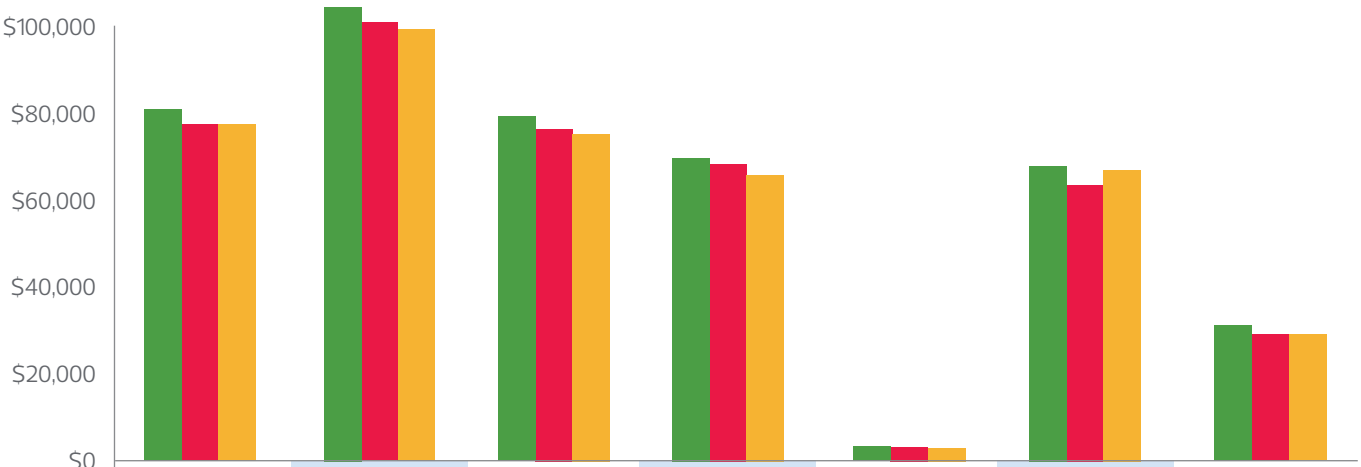



## Full membership dues by region




| | Florida Statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| 2019 | $14,500 | $16,300 | $19,100 | $12,200 | $5,400 | $11,900 | $6,100 |
| 2018 | $13,700 | $15,400 | $18,200 | $11,700 | $5,200 | $11,100 | $5,900 |
| 2017 | $13,400 | $15,100 | $17,800 | $11,200 | $5,000 | $10,800 | $5,800 |

## Full membership joining fees by region

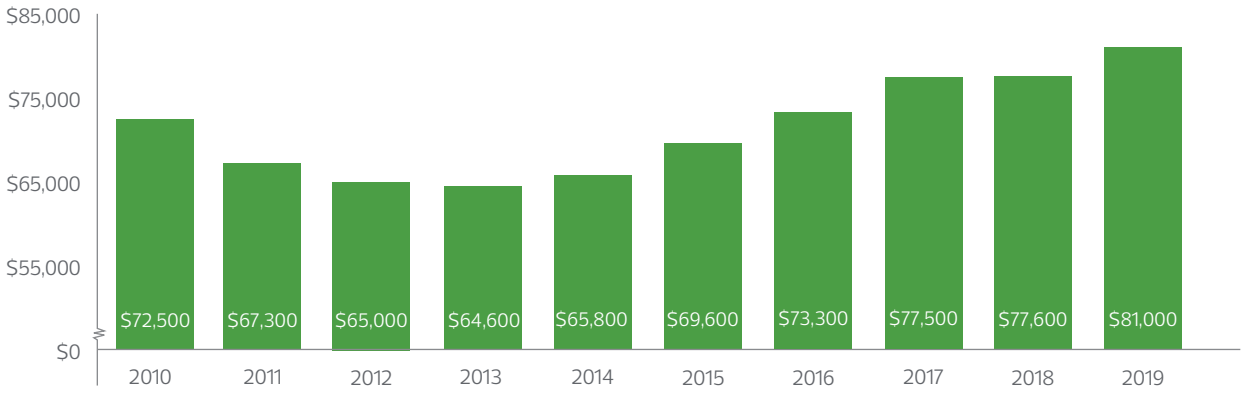



| | Florida Statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| 2019 | $81,000 | $104,700 | $79,600 | $70,000 | $3,700 | $67,900 | $31,300 |
| 2018 | $77,600 | $101,200 | $76,600 | $68,400 | $3,300 | $63,600 | $29,100 |
| 2017 | $77,500 | $99,500 | $75,400 | $66,100 | $3,100 | $67,200 | $29,000 |

## Joining fees (full membership)

| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| 2019 | $81,000 | $104,700 | $79,600 | $70,000 | $3,700 | $67,900 | $31,300 |
| 2018 | $77,600 | $101,200 | $76,600 | $68,400 | $3,300 | $63,600 | $29,100 |
| Change | $3,400 | $3,500 | $3,000 | $1,600 | $400 | $4,300 | $2,200 |
| % change | 4% | 3% | 4% | 2% | 12% | 7% | 8% |

## Full membership joining fees statewide




## Annual capital assessment

| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| Full membership | $1,700 | $1,600 | $1,800 | $1,900 | $900 | $1,600 | $900 |
| % of clubs incurring | 72% | 56% | 76% | 82% | 84% | 75% | 56% |

## Total annual membership cost

### Full membership

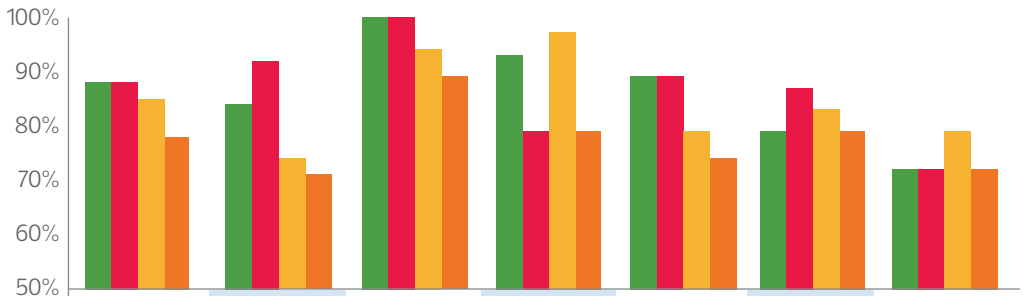
| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| Joining fees 2019 | $81,000 | $104,700 | $79,600 | $70,000 | $3,700 | $67,900 | $31,300 |
| Refundable equity percentages | 24% | 29% | 21% | 17% | 0% | 29% | 18% |
| Dues 2018 | $13,700 | $15,400 | $18,200 | $11,700 | $5,200 | $11,100 | $5,900 |
| Total cost in 2018** | $20,660 | $22,658 | $25,920 | $17,680 | $8,330 | $15,810 | $10,490 |

** Includes capital assessment, operating assessment, F&B minimum and mandatory service charge if applicable

## Other capital/renovation/debt assessment

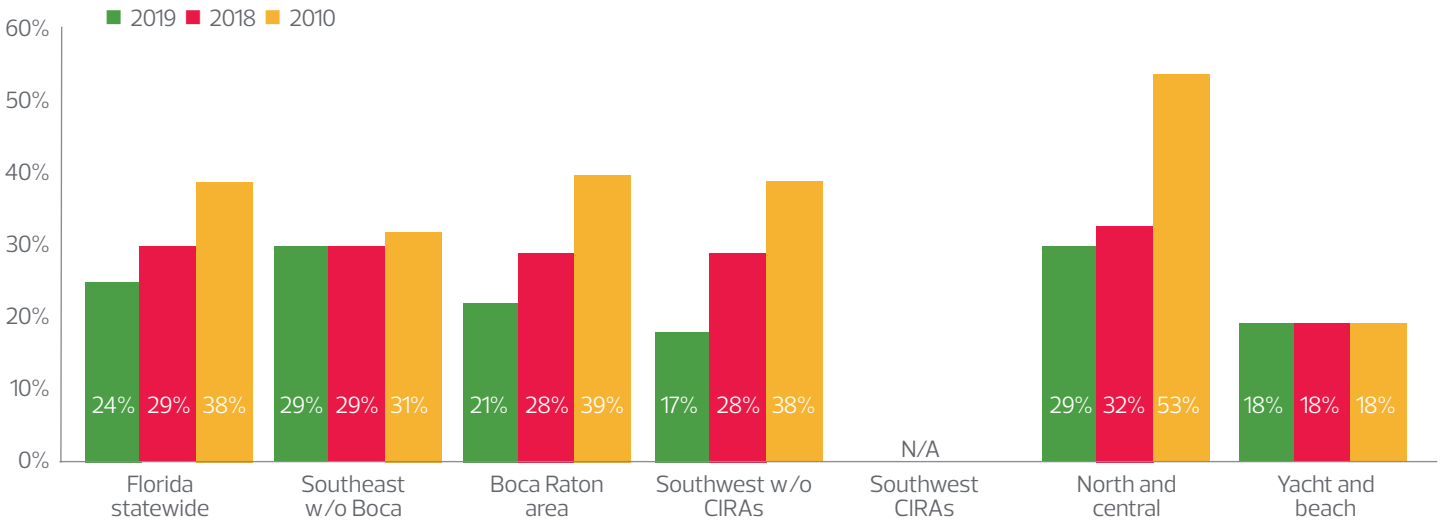
| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| Full membership | $1,840 | $1,688 | $2,320 | $1,920 | $1,100 | $1,110 | $2,090 |
| % of clubs incurring | 53% | 48% | 88% | 50% | 47% | 38% | 39% |

## Percentage of clubs increasing dues




| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| Full membership 2019 | 88% | 84% | 100% | 93% | 89% | 79% | 72% |
| Full membership 2018 | 88% | 92% | 100% | 79% | 89% | 87% | 72% |
| Full membership 2017 | 85% | 74% | 94% | 97% | 79% | 83% | 79% |
| Full membership 2016 | 78% | 71% | 89% | 79% | 74% | 79% | 72% |

## Refundable equity percentage (full membership) by region



## Operating revenues and expenses

### Revenues

| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| Dues | 61.2% | 61.7% | 66.7% | 59.2% | 57.7% | 56.4% | 50.7% |
| Sports | 16.4% | 16.8% | 12.6% | 19.8% | 18.3% | 16.1% | 13.3% |
| Food | 13.9% | 13.0% | 15.1% | 13.1% | 12.9% | 14.7% | 22.2% |
| Beverage | 4.8% | 4.4% | 2.9% | 5.8% | 5.6% | 6.5% | 10.1% |
| Other | 3.7% | 4.1% | 2.7% | 2.1% | 5.5% | 6.3% | 3.7% |
| | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Average operating revenues | $12,866,000 | $14,904,000 | $22,315,000 | $10,391,000 | $7,683,000 | $11,037,000 | $7,232,000 |

### Expenses

| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| Payroll and related | 52.0% | 49.0% | 54.2% | 53.9% | 51.5% | 51.3% | 50.3% |
| Cost of sales – F&B | 8.7% | 8.5% | 9.5% | 7.8% | 7.9% | 9.1% | 13.3% |
| Operating | 35.5% | 38.0% | 32.7% | 34.8% | 37.9% | 35.4% | 30.8% |
| Taxes and insurance | 3.8% | 4.5% | 3.6% | 3.5% | 2.7% | 4.2% | 5.6% |
| | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Average operating expenses | $12,678,000 | $14,553,000 | $22,165,000 | $10,210,000 | $7,564,000 | $10,933,000 | $7,142,000 |
| Average surplus | $188,000 | $351,000 | $150,000 | $181,000 | $119,000 | $104,000 | $90,000 |

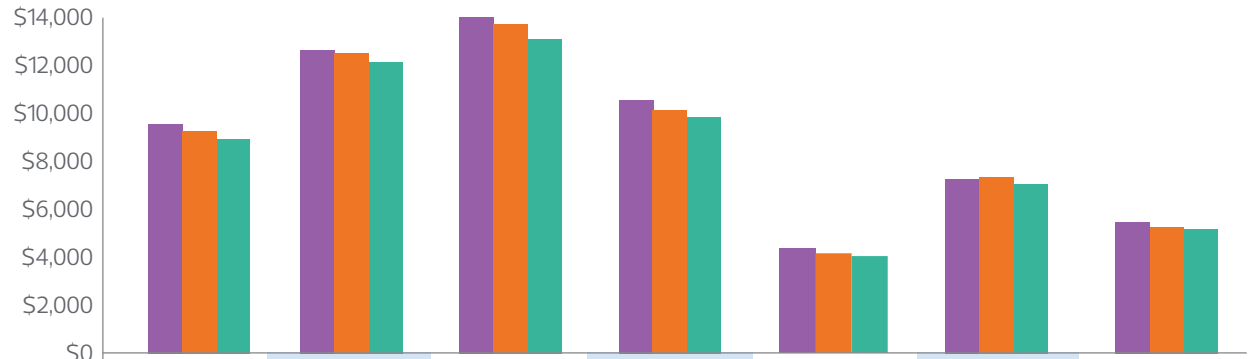
Fiddlesticks Country Club, Fort Myers, Fla.

## Operating revenues and expenses per FME

| Revenues | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| Dues | $11,400 | $16,400 | $17,500 | $11,800 | $5,000 | $8,100 | $5,600 |
| Sports | 3,000 | 4,500 | 3,200 | 4,000 | 1,500 | 2,300 | 1,500 |
| Food | 2,600 | 3,500 | 4,000 | 2,600 | 1,100 | 2,100 | 2,500 |
| Beverage | 900 | 1,200 | 800 | 1,200 | 500 | 900 | 1,100 |
| Other | 700 | 1,100 | 700 | 400 | 500 | 900 | 400 |
| Total operating revenues per FME | $18,600 | $26,700 | $26,200 | $20,000 | $8,600 | $14,300 | $11,100 |

| Expenses | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| Payroll and related | $9,600 | $12,700 | $14,100 | $10,600 | $4,400 | $7,300 | $5,500 |
| Cost of sales – F&B | 1,600 | 2,200 | 2,500 | 1,500 | 700 | 1,300 | 1,500 |
| Operating | 6,500 | 9,900 | 8,500 | 6,900 | 3,200 | 5,100 | 3,400 |
| Taxes and insurance | 700 | 1,200 | 900 | 700 | 200 | 600 | 600 |
| Total operating expenses per FME | $18,400 | $26,000 | $26,000 | $19,700 | $8,500 | $14,300 | $11,000 |
| Average surplus per FME | $200 | $700 | $200 | $300 | $100 | $– | $100 |

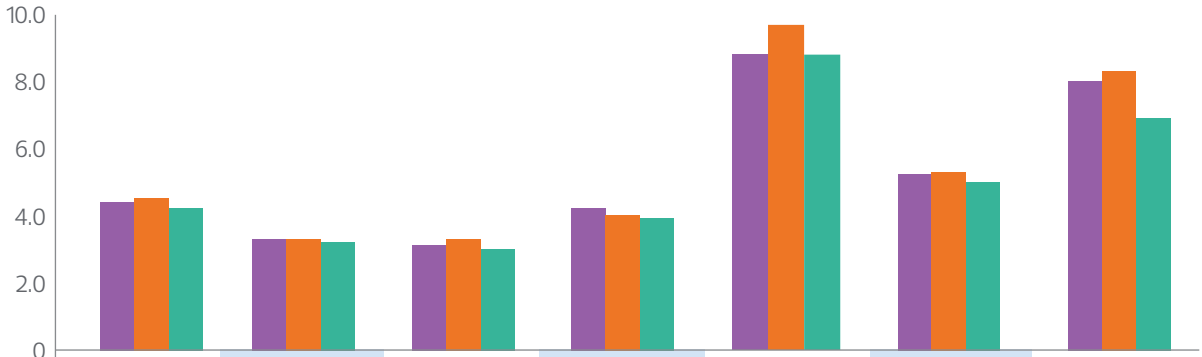
## Payroll and related per FME




| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| 2018 | $9,600 | $12,700 | $14,100 | $10,600 | $4,400 | $7,300 | $5,500 |
| 2017 | $9,300 | $12,600 | $13,800 | $10,200 | $4,200 | $7,400 | $5,300 |
| 2016 | $9,000 | $12,200 | $13,200 | $9,900 | $4,100 | $7,100 | $5,200 |

Sailfish Point, Stuart, Fla.

## Memberships (FME) to employees




| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| 2018 | 4.4 | 3.3 | 3.1 | 4.2 | 8.8 | 5.2 | 8.0 |
| 2017 | 4.5 | 3.3 | 3.3 | 4.0 | 9.7 | 5.3 | 8.3 |
| 2016 | 4.2 | 3.2 | 3.0 | 3.9 | 8.8 | 5.0 | 6.9 |

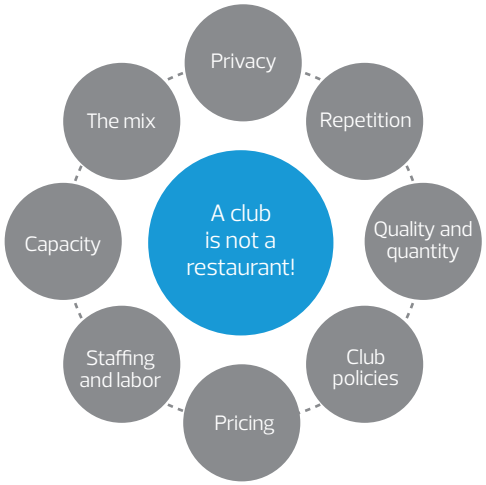
## Percentage of clubs utilizing foreign labor

| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| Percentage of clubs utilizing foreign labor | 47% | 44% | 94% | 39% | 42% | 29% | 33% |
| Average number employed | 40 | 72 | 56 | 21 | 14 | 8 | 14 |

# FOOD AND BEVERAGE: STEP INTO THE CIRCLE OF TRUTH—A CLUB IS NOT A RESTAURANT

National surveys continue to show that club dining operations represent the most popular member amenity (note that "member amenity" is an important term in this discussion) offered by clubs. This should not be terribly surprising given the simple fact that more people eat than swing a golf club or tennis racket. Dining operations also, however, remain the most discussed, analyzed, scrutinized, criticized, re-analyzed, controversial and ultimately misunderstood element of club operations.

Therefore, critics of the financial results of private club dining operations are invited to step inside the circle of truth. These critics need to understand why a private club is a very different model from a restaurant. A private club is never going to be like the steakhouse that made a critic's close, personal friend a millionaire.




**Private member club.** The clue is in the name. Private clubs, and hence club dining outlets, are not open to the public. Privacy, or perhaps better expressed as exclusivity, is one of the primary reasons members join in the first place, and that privacy comes at a price. A club's customer base is essentially capped by the number of memberships plus members' guests. This differs from a restaurant that is open to anyone in the community who is prepared to pay the menu prices. If a club has 750 members, then its customer base is comprised more or less of those 750 families. Given that the number of customers for a club's dining offering is essentially fixed, at least in the short-term, the implications for revenue are fairly obvious. In a recent report of club food and beverage revenues, these were found to have been flat for the past five years.

**Repetition.** According to Mark Twain, "History does not repeat itself but it does rhyme." Clubs are faced with the challenge of having to continuously resell the same dining experience to members. Compare for a moment a fine dining restaurant where approximately 50% of customers in a given evening are repeat customers to a club where 100% of diners are repeat customers. This helps explain the low capture rate of food expenditure by clubs from their members. Approximately fifty cents of every dollar spent on food and beverage is on products for preparation and consumption in the home (e.g., purchases made at grocery stores). Of the other fifty cents, which is spent in various types of restaurants, clubs capture the revenue from fewer than one out of four "dining out" experiences of 80% of their members. In other words, only 20% of club members eat at their club on more than one out of every four meals out. If that sounds disheartening, consider that, according to some estimates, a full half of club members eat at their club fewer than one in ten dining out experiences. This is in spite of the increasing prevalence of food and beverage minimums.

**Competitive pricing.** If activity or covers are essentially fixed, can revenue be grown by increasing menu prices? Not really. Clubs do operate in the same competitive marketplace as restaurants, and aggressive menu pricing will likely result in the club hemorrhaging revenue dollars to neighborhood restaurants or, more likely, cause an insurrection among the members. It is always worthwhile for clubs to compare their menu prices to those of a local restaurant offering a similar dining experience to confirm the value that club dining represents. And don't forget the greater the number of subsidized members-only events (e.g., New Year's Eve, Valentine's Day, End of Season, Beginning of Season, President's Ball, Groundhog Day) the greater the dues subsidy. Food cost at some of these events can exceed 100%...what would your food and beverage results look like without them? Arguably the more important question is how many members would you lose if you didn't host these sorts of events or charged a nondues subsidized price? Member events are a priceless component of member participation at most clubs but their economic realities should not be used to blame management for food and beverage subsidies.

**Quality and quantity.** If a simple side-by-side menu comparison of a club dinner to a restaurant equivalent does not point out the value of club dining, then a tasting probably should. Clubs typically serve better quality products—fresh produce as opposed to frozen, baked rather than purchased bread—and serve more generous quantities. The concept of highest quality does not only apply to a la carte dining either. A typical club's buffet carries high quality products with a tendency to prepare more than is required. As far as alcohol is concerned, just try to identify the last time a jigger was used in a club bar. Free pours from a heavy handed bartender are more the norm and often cocktails are served in wine goblets or beer glasses. This situation presents clubs with unique challenges in protecting the bottom line. As mentioned above, aggressive pricing is not really an option and neither are some of the "tricks" used in the restaurant trade to maintain profitability. Members will be highly resistant to portion control, weaker drinks, cheaper ingredients or low-end consumables.

**Capacity.** Clubs tend to have excess capacity for a la carte dining but lack the capacity for large-scale member events. Clubs will have multiple and competing dining outlets, such as a formal dining room, grill room and pool café, even though it is only possible for a member to utilize one at a time. Hence fixed revenue dollars are spread across the outlets to cannibalize sales from one venue to another, and remember that each outlet has its own storage area, kitchen and staff which all carry a cost. Restaurants usually have a single dining room and kitchen and, of course, a larger customer base.

**Staffing and labor.** Club members expect a "creative kitchen" rather than a "manufacturing" kitchen. While restaurants tend to use hourly line cooks, clubs frequently employ highly trained executive and sous chefs plus specialized staff, such as sauciers, pastry chefs and sommeliers, all of whom are typically full-time salaried employees who are carried through slower seasons. The staffing situation in the dining room is often challenged by prohibition on cash tipping. Clubs therefore find themselves having to pay a higher hourly rate or offer more overtime than competing restaurants in order to attract and retain service staff to offset the lack of tips. Members are rarely required to make reservations for lunch or dinner, hence the tendency to overstaff—just in case every one turns up for Friday night dinner.

**Club policies.** If a member is willing to spend $200 on dinner for two while wearing jeans, they had better go to the local restaurant rather than the club. Amending club policies, particularly dress codes, is one of the few items likely to spark more lively debate in a board meeting than the subsidy in the food and beverage operation. However, in today's time constrained society, it is worth noting that formal dress codes and prohibitions on electronic devices often discourage members from frequenting the dining room.

**In the mix.** Neither the activity nor the product mix at clubs is conducive to turning a profit in the food and beverage department. Clubs do more lunch business than dinner business and lunch menus are always more competitively priced than dinner. Because the mix is so lunch heavy, less beverage is consumed, which is unfortunate from a profitability standpoint as beverage carries a higher profit margin than food. While the most profitable meal for restaurants is breakfast, clubs typically have minimal breakfast traffic. To clarify, minimal breakfast traffic is more accurately described as a few breakfast sales, as "gratis" breakfast items are quite common. The mix again also includes member events. As we discussed previously with regards to pricing, if your club hosts a significant number of member events, consider your pricing philosophy with regards to those events and the impact that it has on food and beverage results overall.

So the next time a new candidate for the finance committee introduces himself as the person who made a fortune owning a restaurant and who will "fix" the club's food and beverage operation, ask him these five questions:

1. Did your restaurant only serve 750 families?
2. Did you regularly throw lavish parties for those families and only charge them a fraction of what market price would be?
3. Were your alcohol pour sizes often double what other restaurants in your area gave?
4. Did you accommodate all diners' requests for menu substitutions and customizations without charging for them for the extra work?
5. Did you have an executive chef, rather than a line cook, whose payroll you had to carry during the off season just to retain that talent?

If he can answer yes to all five, then he indeed has a unique set of skills.

The reality, however, is still that a club is not a restaurant. Unless critics of club food and beverage results are willing to step inside the circle of truth and accept the realities of the operation before attacking management, they do not deserve a seat at the table. This does not mean that management should not be held accountable for results or for seeking to continually improve. It does mean however that the budgets to which management are being held accountable are based in fact, not fiction, and deal with the operational realities of the club's operation.

Budgeting a flat 50% blended food cost for every month, when you know you are going to have member events with 80%, 90% or even higher food costs is, simply, an exercise in futility. In a food and beverage operational audit we found that 20% of the club's food revenue was related to member events and that the "pricing philosophy was to achieve a food cost of 50% on those." However when we reviewed ten member events, we found an aggregate food cost of 69% (19% percentage points higher than the documented pricing philosophy). Conclusion? The budget was a flawed, unrealistic fantasy of a document that did nothing more than quantify the wishful thinking of club leadership and management both.

To summarize, the reason clubs "lose" money in food and beverage is because the dining room is a member amenity. Just like the golf course, tennis courts, fitness center and swimming pool. How much money did the club "lose" on its golf course last month? Probably more than it did on food and beverage.

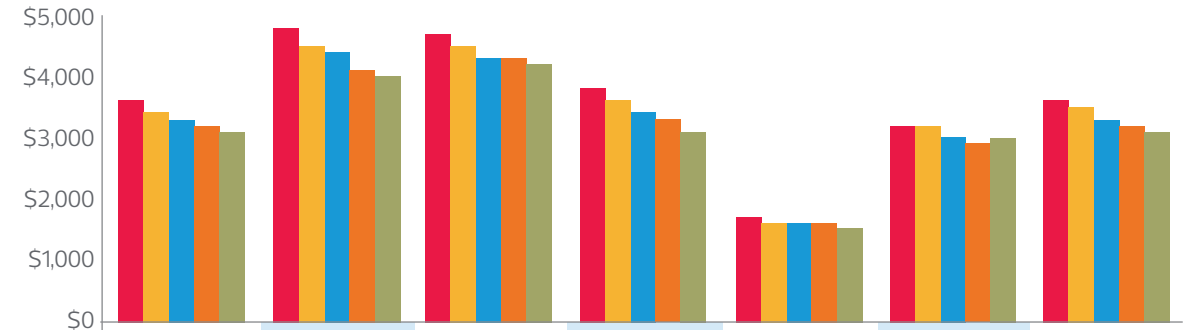
Rather than explaining why the club is "losing" money on food and beverage, the time has come to question the premise that money is even lost. All club amenities carry a cost, which is why clubs charge dues. On average 17 cents of every dues dollar goes to subsidize the food and beverage operation. If you want to lower that number, start with taking away member events—that will not only lower your subsidy, but will also no doubt lower the number of members at your club...

Goethe is attributed with saying, "The first sign we don't know what we are doing is an obsession with numbers." Worry less about the numbers and enjoy dinner.

Bon appétit!

Boca Grove Golf & Tennis Club, Boca Raton, Fla.

## Restaurant sales per FME




| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| 2018 | $3,600 | $4,800 | $4,700 | $3,800 | $1,700 | $3,200 | $3,600 |
| 2017 | $3,400 | $4,500 | $4,500 | $3,600 | $1,600 | $3,200 | $3,500 |
| 2016 | $3,300 | $4,400 | $4,300 | $3,400 | $1,600 | $3,000 | $3,300 |
| 2015 | $3,200 | $4,100 | $4,300 | $3,300 | $1,600 | $2,900 | $3,200 |
| 2014 | $3,100 | $4,000 | $4,200 | $3,100 | $1,500 | $3,000 | $3,100 |

## Menu price increases

| 2018 | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| Increased menu prices | 42% | 40% | 35% | 39% | 53% | 46% | 44% |
| Average increase | 4% | 4% | 6% | 4% | 4% | 3% | 3% |
| Increased drink prices | 39% | 52% | 18% | 29% | 37% | 54% | 56% |
| Average increase | 3% | 4% | 3% | 3% | 4% | 3% | 3% |

| 2017 | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| Increased menu prices | 47% | 44% | 29% | 66% | 58% | 30% | 33% |
| Average increase | 3% | 4% | 3% | 3% | 4% | 3% | 3% |
| Increased drink prices | 40% | 40% | 12% | 52% | 47% | 39% | 28% |
| Average increase | 4% | 4% | 3% | 3% | 4% | 3% | 3% |

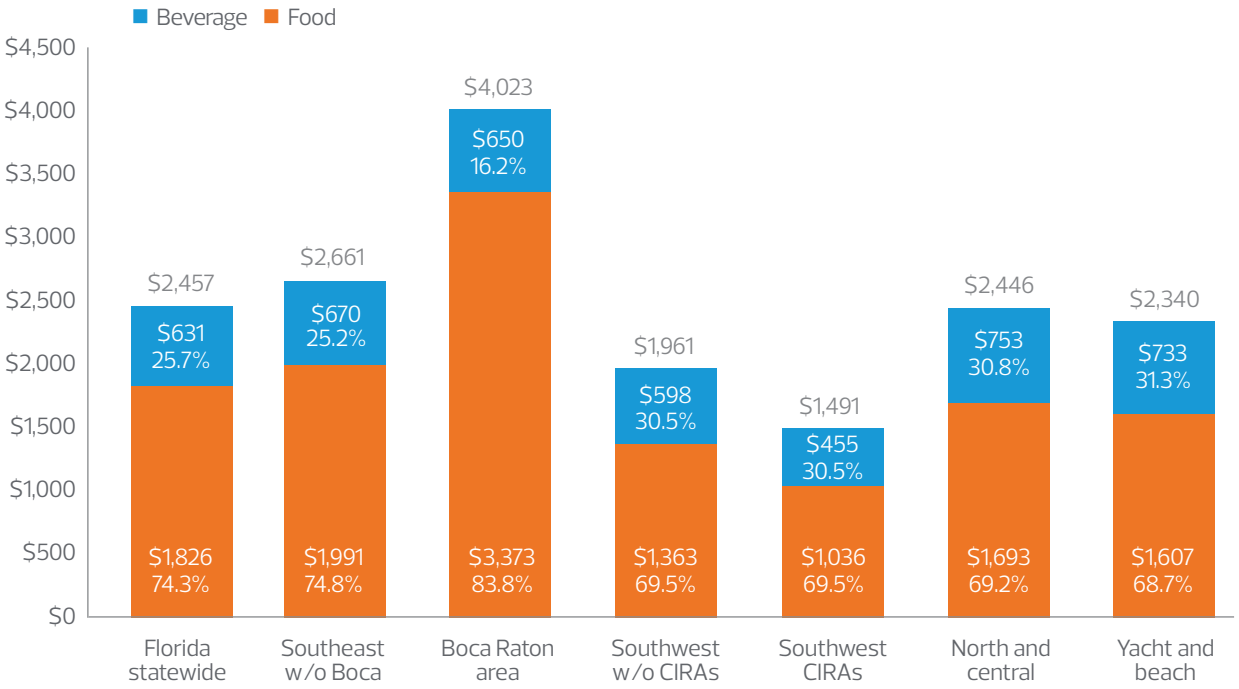
| 2016 | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| Increased menu prices | 48% | 22% | 59% | 52% | 58% | 57% | 68% |
| Average increase | 3% | 2% | 3% | 3% | 4% | 3% | 4% |
| Increased drink prices | 37% | 15% | 29% | 48% | 47% | 43% | 53% |
| Average increase | 3% | 2% | 4% | 3% | 4% | 3% | 4% |

## Restaurant operations

| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| Clubs with minimums | 52% | 28% | 65% | 61% | 58% | 54% | 56% |
| Annual minimum | $1,200 | $1,600 | $1,800 | $1,200 | $700 | $1,000 | $800 |
| Clubs with a mandatory service charge | 29% | 40% | 71% | 18% | 11% | 17% | 39% |
| Annual amount | $1,200 | $1,100 | $1,800 | $600 | $500 | $500 | $800 |
| Clubs with minimums and a mandatory service charge | 13% | 16% | 47% | 7% | 0% | 4% | 17% |
| Clubs with neither a gratuity or mandatory fixed service charge | 19% | 28% | 12% | 14% | 5% | 29% | 6% |

| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| Food sales | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of food sold (net of employee meals) | 49.8% | 52.0% | 56.3% | 43.5% | 45.8% | 45.7% | 45.0% |
| Gross profit, food | 50.2% | 48.0% | 43.7% | 56.5% | 54.2% | 54.3% | 55.0% |
| Beverage sales | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of beverages sold | 34.2% | 35.9% | 31.7% | 33.7% | 32.4% | 35.4% | 31.3% |
| Gross profit, beverage | 65.8% | 64.1% | 68.3% | 66.3% | 67.6% | 64.6% | 68.7% |
| Combined F&B sales | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Combined cost of sales | 45.8% | 48.0% | 52.3% | 40.5% | 41.7% | 42.5% | 40.7% |
| Gross profit, combined | 54.2% | 52.0% | 47.7% | 59.5% | 58.3% | 57.5% | 59.3% |
| **Departmental expenses:** | | | | | | | |
| Salaries and wages, net of gratuities | 71.4% | 68.6% | 89.7% | 65.1% | 68.2% | 59.8% | 51.5% |
| Payroll taxes and employee benefits | 19.2% | 18.2% | 23.0% | 17.2% | 18.3% | 18.2% | 14.1% |
| All other expenses | 18.9% | 18.5% | 24.9% | 15.8% | 17.6% | 16.1% | 12.3% |
| Total departmental expenses | 109.5% | 105.3% | 137.6% | 98.1% | 104.1% | 94.1% | 77.9% |
| Departmental (subsidy) | (55.3)% | (53.3)% | (89.9)% | (38.6)% | (45.8)% | (36.6)% | (18.6)% |
| Dollars of food sales to $1.00 of beverage sales | $2.89 | $2.97 | $5.19 | $2.28 | $2.28 | $2.25 | $2.19 |
| Average volume (thousands) | $2,457 | $2,661 | $4,023 | $1,961 | $1,491 | $2,446 | $2,340 |
| Average FME | 690 | 560 | 850 | 520 | 890 | 770 | 650 |
| Average departmental subsidy | $(1,358,600) | $(1,417,100) | $(3,611,400) | $(755,500) | $(682,500) | $(895,500) | $(437,200) |
| Departmental subsidy: total dues revenue | 17% | 16% | 24% | 12% | 15% | 14% | 12% |
| Average subsidy per FME | $1,970 | $2,530 | $4,250 | $1,450 | $770 | $1,160 | $670 |

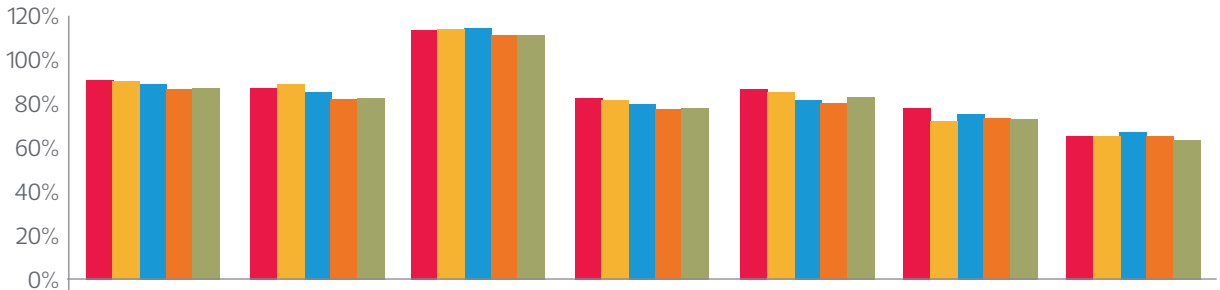
## Average food and beverage sales volume (thousands)




## Average covers by region

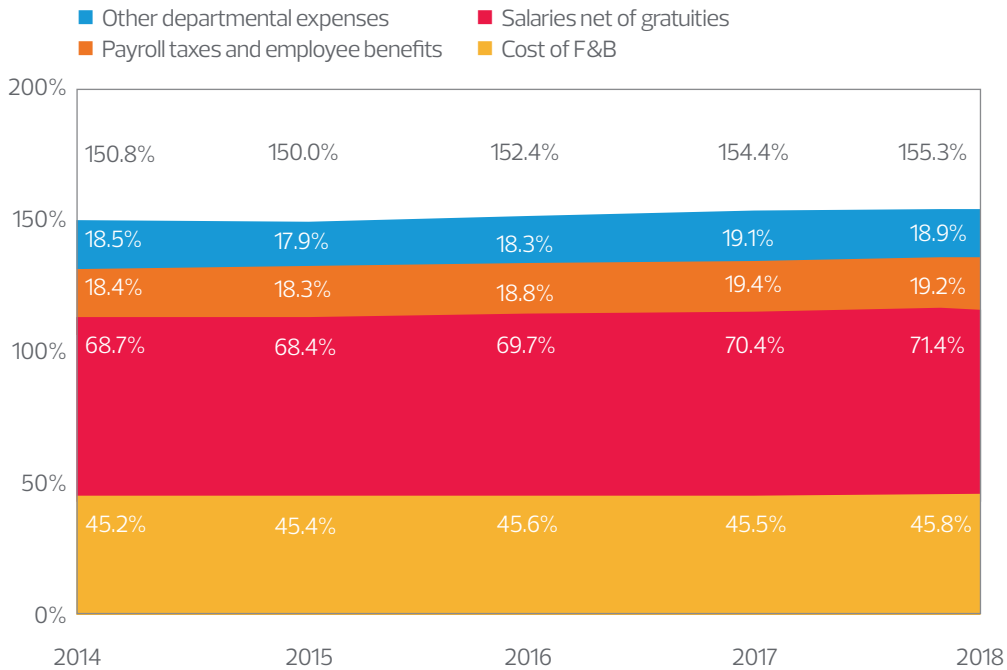
| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| Restaurant covers | 76,700 | 73,500 | 144,700 | 49,400 | 63,400 | 67,400 | 55,200 |
| Banquet or function covers | 11,200 | 10,200 | 15,300 | 9,900 | 5,900 | 14,400 | 12,100 |
| Total covers | 87,900 | 83,700 | 160,000 | 59,300 | 69,300 | 81,800 | 67,300 |
| Percentage of covers that are banquet or function | 13% | 12% | 10% | 17% | 9% | 18% | 18% |

## Restaurant salaries and benefits compared to revenue




| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central | Yacht and beach |
|---|---|---|---|---|---|---|---|
| 2018 | 90.6% | 86.8% | 112.7% | 82.3% | 86.5% | 78.0% | 65.6% |
| 2017 | 89.8% | 88.6% | 113.6% | 81.4% | 85.1% | 72.1% | 65.2% |
| 2016 | 88.5% | 84.9% | 113.7% | 79.7% | 81.6% | 74.9% | 67.1% |
| 2015 | 86.7% | 82.1% | 110.4% | 77.2% | 80.2% | 73.4% | 65.2% |
| 2014 | 87.1% | 82.2% | 110.5% | 77.9% | 82.6% | 73.2% | 63.4% |

## Food and beverage loss trend statewide country clubs



## Yacht and beach clubs

### Five-year trend restaurant operations

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Food sales | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of food sold (net of employee meals) | 45.0% | 44.4% | 44.1% | 44.7% | 43.9% |
| Gross profit, food | 55.0% | 55.6% | 55.9% | 55.3% | 56.1% |
| | | | | | |
| Beverage sales | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of beverages sold | 31.3% | 31.3% | 32.4% | 31.3% | 31.5% |
| Gross profit, beverage | 68.7% | 68.7% | 67.6% | 68.7% | 68.5% |
| | | | | | |
| Combined F&B sales | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Combined cost of sales | 40.7% | 40.3% | 40.6% | 40.7% | 40.2% |
| Gross profit, combined | 59.3% | 59.7% | 59.4% | 59.3% | 59.8% |
| | | | | | |
| **Departmental expenses:** | | | | | |
| Salaries and wages, net of gratuities | 51.5% | 51.2% | 52.7% | 51.0% | 49.2% |
| Payroll taxes and employee benefits | 14.1% | 14.0% | 14.4% | 14.2% | 14.2% |
| Other departmental expenses | 12.3% | 12.0% | 12.1% | 12.6% | 13.0% |
| Total departmental expenses | 77.9% | 77.2% | 79.2% | 77.8% | 76.4% |
| Departmental (subsidy) | (18.6)% | (17.5)% | (19.8)% | (18.5)% | (16.6)% |
| | | | | | |
| Dollars of food sales to $1.00 of beverage sales | $2.19 | $2.21 | $2.31 | $2.35 | $2.34 |

Note: Does not include entertainment, decorations or valet costs.

Collier's Reserve Country Club, Naples, Fla.

## Statewide country clubs

### Five-year trend restaurant operations

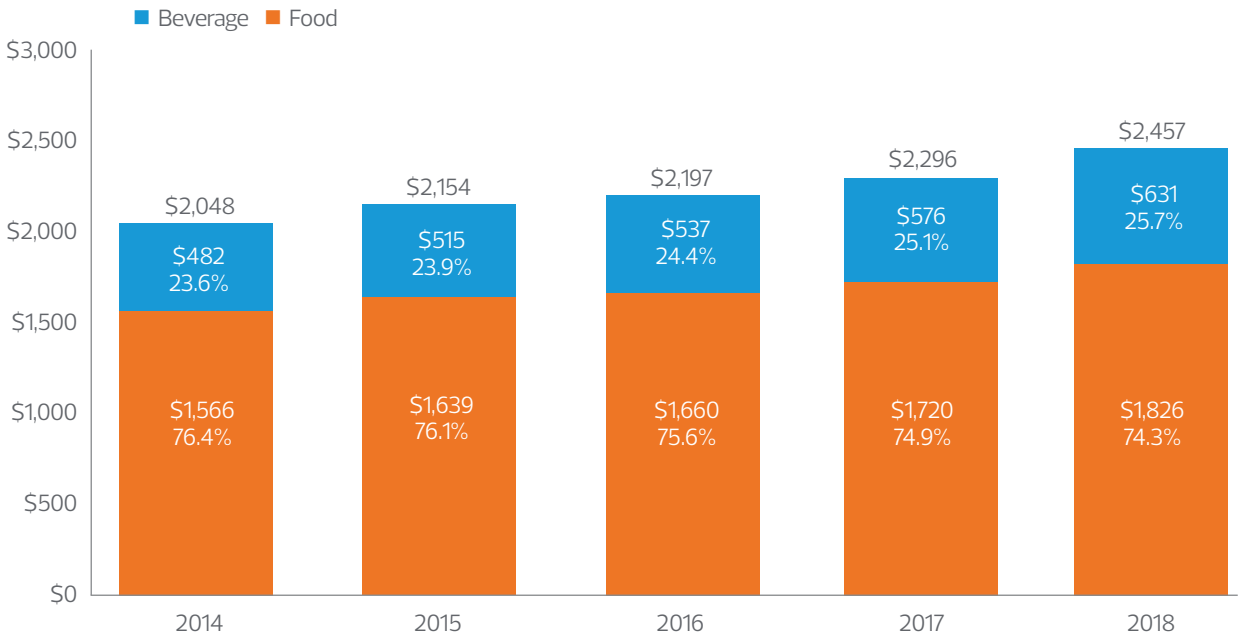
| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Food sales | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of food sold (net of employee meals) | 49.8% | 49.5% | 49.4% | 49.3% | 48.9% |
| Gross profit, food | 50.2% | 50.5% | 50.6% | 50.7% | 51.1% |
| | | | | | |
| Beverage sales | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of beverages sold | 34.2% | 33.6% | 33.8% | 33.2% | 33.2% |
| Gross profit, beverage | 65.8% | 66.4% | 66.2% | 66.8% | 66.8% |
| | | | | | |
| Combined F&B sales | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Combined cost of sales | 45.8% | 45.5% | 45.6% | 45.4% | 45.2% |
| Gross profit, combined | 54.2% | 54.5% | 54.4% | 54.6% | 54.8% |
| | | | | | |
| **Departmental expenses:** | | | | | |
| Salaries and wages, net of gratuities | 71.4% | 70.4% | 69.7% | 68.4% | 68.7% |
| Payroll taxes and employee benefits | 19.2% | 19.4% | 18.8% | 18.3% | 18.4% |
| Other departmental expenses | 18.9% | 19.1% | 18.3% | 17.9% | 18.5% |
| Total departmental expenses | 109.5% | 108.9% | 106.8% | 104.6% | 105.6% |
| Departmental (subsidy) | (55.3)% | (54.4)% | (52.4)% | (50.0)% | (50.8)% |
| | | | | | |
| Dollars of food sales to $1.00 of beverage sales | $2.89 | $2.98 | $3.09 | $3.18 | $3.25 |

Note: Does not include entertainment, decorations or valet costs.

BallenIsles Country Club, Palm Beach Gardens, Fla.

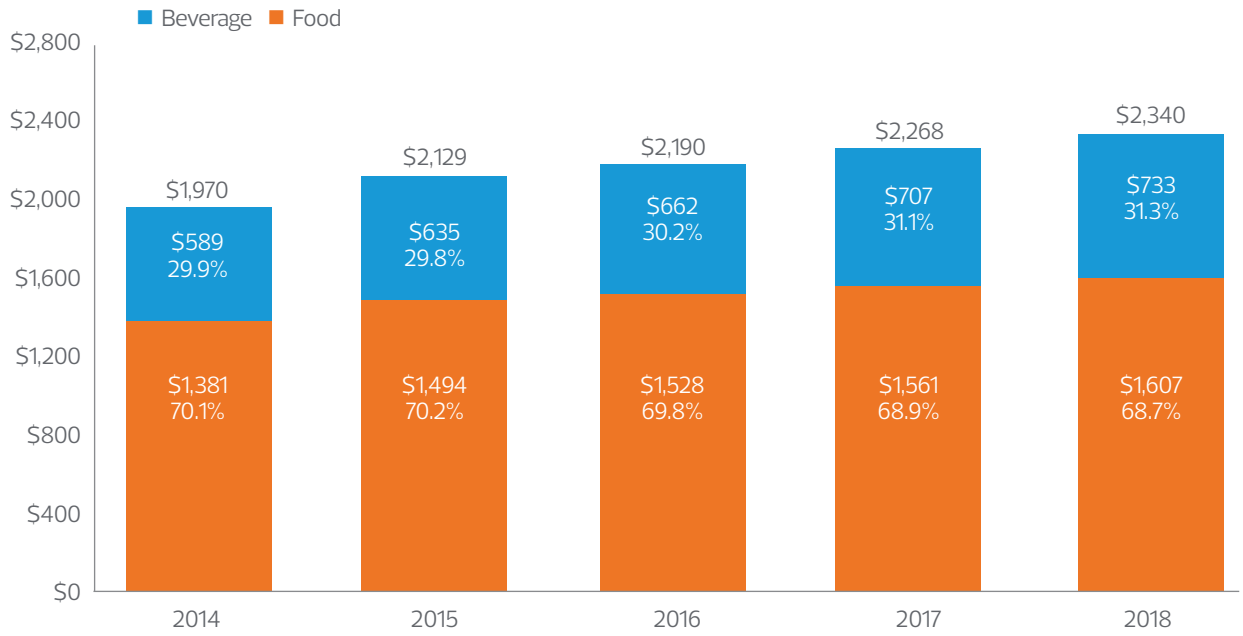
## Statewide country clubs

### F&B sales volume (thousands)




## Yacht and beach clubs

### F&B sales volume (thousands)



# HOW WILL *SOUTH DAKOTA V. WAYFAIR* AFFECT YOUR CLUB?

We recently passed the one-year anniversary of the *South Dakota v. Wayfair* decision, the U.S. Supreme Court's historic decision allowing states to impose sales and use tax obligations based solely on economic activity. Over the past months you may have noticed sales tax is now charged on many of your receipts for purchases made over the internet...but what does this mean for the typical private club from a sales and use tax perspective?

Almost three decades prior to *Wayfair*, the U.S. Supreme Court held that a taxpayer must have some physical presence in a state to be subject to collection responsibility for the state's sales or use tax. The presence of the taxpayer's in-state customers, without more, did not create nexus and did not allow a state to impose its sales and use tax. This standard meant that vendors, sellers or retailers would not have to collect sales and use tax in states they sold to where they did not have a physical presence.

The June 2018 *Wayfair* decision eliminated that physical presence requirement after reviewing a South Dakota law which imposed a sales tax collection and remittance obligation on remote sellers when gross revenue from sales of tangible personal property or services exceeded either: 1) $100,000, or 2) 200 or more separate transactions. While *Wayfair* allows states to establish nexus rules based on economic activity, the actual thresholds may vary greatly among the states.

From a sales tax collection perspective, it is unlikely that most private clubs will make out-of-state sales in excess of a remote seller threshold, such as the $100,000 in sales or 200 transactions in a given year. However, if a club makes significant out-of-state sales, such as from sales of merchandise or equipment, or provides services in other states, the club should review its sales and transaction data for potential sales and use tax nexus exposure in those states.

**Where are we now?**

On the one-year mark, every state with a general sales tax has adopted an enforcement date for economic sales tax nexus except for Florida, Kansas and Missouri. Those state legislatures have adjourned for the year and, pending any special sessions, appear unlikely to address a remote seller sales tax threshold in 2019. Louisiana, which is the only other state pending adoption, has recently cleared the way to enforce economic sales tax nexus within the next 12 months.

Importantly, these nexus provisions continue to be in a state of flux with new statutes, regulations and guidance issued on an almost weekly basis. A number of states anticipate future guidance or enforcement as taxing authorities consider supplementing current economic nexus provisions with detailed regulation and policy.

From a use tax perspective, you may notice some of your out-of-state vendors, that have historically not collected sales tax and for which you may have been accruing use tax, now invoicing sales tax on those same purchases. This could be beneficial to the club as the accounting staff would spend less time reviewing invoices for use tax issues—however, accruing use tax on purchases where sales tax was also paid would create refund opportunities. Special attention should be given to out-of-state vendors to avoid double sales and use tax payments.

Should your club have significant out-of-state sales activity, or if the club is unsure how *Wayfair* could affect interstate sales activity, please contact your state tax adviser to discuss compliance with economic sales tax nexus provisions and minimize potential exposure.

# IMPORTANT GUIDANCE ON PARKING EXPENSES AND UBTI

Tax legislation (commonly referred to as the Tax Cuts and Jobs Act, or TCJA) passed in 2017 included multiple changes to club taxation; IRS guidance on one particular change to parking expenses includes an important planning opportunity if implemented within the next few months which could affect your club. Read on to find out more about the enacted changes and what you can do to minimize your liability.

The TCJA added section 274(a)(4) to limit the deductibility of expenses for qualified transportation fringes (QTFs) for tax purposes. This limitation will potentially affect taxable clubs by decreasing deductions on the club's income tax return. In addition to this change for taxable entities, code section 512(a)(7) was added which requires a tax-exempt organization to increase its unrelated business taxable income (UBTI) by the amount of expenses that would be nondeductible under section 274(a)(4).

While these new provisions apply to all qualified transportation benefits (beyond just parking) this article focuses on parking expenses. Throughout 2018, taxpayers and tax practitioners have struggled with how to calculate the amount of expenses incurred for providing parking that would be subject to these rules. The IRS recently released Notice 2018-99 which includes additional guidance to assist with this determination.

The first step for clubs will be to determine if they in fact provide qualified parking, which the IRS defines as parking provided to an employee on or near the business premises of the employer or on or near a location from which the employee commutes to work. If a club provides qualified parking to its employees, the next step is to determine the amount of expenses attributable to providing this parking. It is important to note that limitation of deduction or increase in UBTI relates to the expense of providing the parking, not its fair market value.

According to Notice 2018-99, determining the amount of parking expenses depends on whether the taxpayer pays a third party to provide parking for its employees or the taxpayer owns or leases the parking facility where its employees park. Calculating the expenses is simpler when a taxpayer pays a third party to provide its employees parking at the third party's lot or garage; in this case, the expense is the taxpayer's annual cost of employee parking paid to the third party. It is important to note that there is a monthly limitation ($260 as of 2018 or $265 for 2019) on the amount of qualified transportation benefits that can be excluded from taxable income of employees; amounts that are included in taxable income of employees are not subject to the new negative consequences to employers.

Conversely, determining the nondeductible expenses becomes a bit more complicated when the club itself owns or leases the parking facility. Notice 2018-99 defines a parking facility as "indoor and outdoor garages and other structures, as well as parking lots and other areas, where employees may park on or near the business premises." Clubs are permitted to use any reasonable method to calculate the disallowance; however, it emphasizes that using the fair market value of employee parking to determine the expenses is not a reasonable method. One reasonable method described in the notice uses two major factors when calculating the disallowed deduction: the total parking expenses the club incurred and the percentage of spots allocated to employee parking in relation to total parking spots.

A club should start by identifying the expenses related to parking such as repairs, maintenance, utility costs, insurance, property taxes, interest, trash removal, security and attendants. Please note that this is not a comprehensive list of expenses, as each club is different. The next step requires the club to determine the total amount of these parking expenses that are allocated to employee use of the parking.

The notice covers four steps for calculating the number of employee parking spots.

**Step 1** is to identify spots exclusively reserved for the taxpayer's employees. Employee spots in the parking facility may be reserved using specific signage or a barrier, or at a separate facility altogether. The club will then determine the percentage of these reserved employee spots in relation to total parking spots; this percentage is then multiplied by the club's total parking expenses. The product will be disallowed expenses or considered UBTI. Reserved employee spots will always lead to application of the new rules.

**Step 2** in identifying employee spots is the "primary use test." The club will determine if the spots remaining after removing those specifically reserved for employees in Step 1 provide parking to employees or the general public (customers, clients, visitors and vendor deliveries). If the primary use of the remaining spots is to provide parking to the general public, then the remaining parking expenses are not subject to disallowance or UBTI. For these purposes, "primary use" means greater than 50% of actual or estimated usage of the parking spots during normal business hours.

**Step 3** requires the club to identify the number of reserved nonemployee spots. If the primary use of the remaining spots is not to provide parking to the general public, the club can identify the number of spots exclusively reserved for nonemployees. If the club does not have any reserved nonemployee spots, it can move to Step 4. If it does have reserved nonemployee spots, it will determine the percentage in relation to total remaining parking spots and multiply by the total remaining parking expenses. The proportionate amount is not disallowed or UBTI.

**Step 4** requires that, upon completion of Steps 1–3, should the club still have any parking expenses not classified as employee or nonemployee, it will reasonably determine the employee use of the remaining spots on a typical business day (or during the normal hours of an exempt organization's activities on a typical day) and the corresponding proportion of the related expenses will be subject to disallowance or UBTI.

These changes could affect your club regardless of your status as taxable or tax-exempt. If you have any questions, please reach out to your tax provider.

Gulf Harbour Yacht & Country Club – Fort Myers, FL

# PRIVATE CLUBS CAN AFFECT COMMUNITIES THROUGH CHARITABLE AFFILIATES

Beyond providing a place for their members to meet, socialize and entertain, private clubs regularly look for opportunities to make a positive impact in their community. Due to limitations in their operations and the fact that donors are not entitled to charitable contribution deductions, private clubs may struggle with making a significant impact in a direct way. However, by establishing and maintaining an affiliated tax-exempt charity, the private club may identify new ways to address community needs. This article identifies the key points in creating such an organization.

**Community impact**

Tax-exempt charities can affect positive change in their communities in a variety of ways. Those affiliated with private clubs often do so by making grants or contributions to other local charities, by directly aiding individuals in the community through hardship grants or scholarships, or through a combination of these activities.

A newly formed tax-exempt charity can raise funds through events (e.g., charity golf tournaments) or donation drives. These funds can then be granted to other community-based charities to be used in furtherance of their exempt purposes or held by the affiliated charity to support families affected by sudden illnesses, catastrophic events, natural disasters or other hardships. The affiliated charity could also establish a scholarship program to assist local students in paying for school.

**Legal formation**

Like private clubs, most tax-exempt charities are nonprofit corporations formed under state law. Legal counsel can assist in drafting the organizing documents, the articles of organization (commonly referred to as articles of incorporation) and the bylaws, to ensure that the documents comply with the provisions of state law. To qualify as a tax-exempt charity described in section 501(c)(3) of the Internal Revenue Code, these organizing documents also must contain certain language limiting the organization's purposes and explaining how the assets will be distributed upon dissolution.

As part of its formation, the nonprofit organization will appoint officers and directors to oversee the operations of the new entity. The criteria for such individuals will be set forth in the organizing documents; however, it is a best practice to select individuals who are independent of the private club.

**Application for recognition of exempt status**

The IRS must affirmatively recognize the organization as a tax-exempt charity in order for the entity to claim exemption from tax and to receive tax-deductible contributions. The newly formed organization applies for such recognition by completing and submitting the Form 1023, Application for Recognition of Exemption under section 501(c)(3) of the Internal Revenue Code, to the IRS and paying the user fee (which is currently $600). Certain organizations may be entitled to complete Form 1023-EZ, Streamlined Application for Recognition of Exemption under section 501(c)(3) of the Internal Revenue Code, and pay a reduced user fee (which is currently $275).

Provided that the organization submits the application within 27 months of the date of formation under state law, a favorable determination of the IRS generally will be retroactive to the date of formation. The IRS's current response time on these applications is approximately six months from the date of submission and longer in some circumstances.

**Maintaining exempt status**

Charities, like private clubs, have an annual Form 990 filing requirement with the IRS. However, the rules for preserving tax-exempt status under section 501(c)(3) (and computing unrelated business income tax) are entirely different from those that apply to private clubs. Of primary importance is the requirement that charities ensure that all of their funds are used exclusively for purposes set forth in section 501(c)(3)—general educational, scientific, artistic and charitable.

Another area in which charities need to exercise caution is in the solicitation of tax-deductible contributions, particularly in the notification provided to donors where the charity provides something of value in exchange. For example, if the organization hosts a charity golf tournament that requires a participant to make a minimum contribution to play, there is likely something of value being received in exchange, whether it is green fees, complimentary food, or other goods or services. The fair market value of these items generally must be disclosed to the participant, resulting in a reduction of the amount of the charitable contribution deduction.

Charities may also be able to leverage state gaming laws to offer raffles or other games of chance to raise funds for their exempt purposes. These activities may result in unrelated business income to the organization but may prove to be an easy way to generate large contributions. For example, participants can purchase golf balls to be dropped from a helicopter onto the green. The player with the golf ball that lands closest to the hole wins the stated prize while the charity retains the proceeds from the various players. Please note that these activities may impose additional reporting (and withholding) requirements on the charity.

**Conclusion**

Establishing an affiliated tax-exempt charity may be an exciting opportunity for a private club to positively and meaningfully affect its community. Although the rules for establishing and maintaining tax-exempt status may be overwhelming at first blush, specialized tax advisors can assist in formulating a business plan, consulting on operations and preparing returns.

Woodfield Country Club, Boca Raton, Fla.

# WILL THE DOMINOES EVER FALL IN LINE?

**Alignment: An arrangement in a straight line, or in correct or appropriate relative positions**

**By Kurt D. Kuebler, Kopplin Kuebler & Wallace**

Certainly, most organizations, not simply just private clubs, have opportunities with alignment, continuity and direction, but I believe clubs tend to exacerbate the issue simply by the way they are structured. Moreover, with a well-meaning intention, clubs and club communities often try to bring too many people into the decision-making or club direction process and throw it off alignment. Additionally, because of the nature of the establishment of clubs—bringing people together for social, recreational and intellectual common purposes—a business practice of aligning goals and objectives to metrics and results is not often part of the process followed by most clubs.

It's nobody's fault; it's simply somewhat the nature of the beast we call clubs! But that doesn't mean we can't improve it!

We believe improvement should start with the recognition that elected boards have a much higher level of fiduciary responsibility to the organization than do appointed committee members. Boards in often dysfunctional, nonaligned clubs regularly allow committees or individual club members to hijack what should be the board's agenda and responsibility! Again, board members are elected and have a fiduciary responsibility to set the vision and therefore the agenda, lead the business and ensure alignment of goals and objectives throughout the organization.

Committee members who are appointed, not elected, often take control and, as noted, hijack the board's responsibilities and set their own, often self-serving agendas. Think about a first committee meeting that you've attended in the past—the most common discussion item of those first meetings of a newly constituted committee? Most newly appointed committees don't have the board lay out their objectives, so their good intentions as new committee members often result in that first meeting of a newly formed committee being one where the chair suggests, "What do we want to focus on or make our priorities in the coming years?" The input received doesn't often align with the strategic plan, rarely considers the budget that is in place, and can often have a significant negative financial impact on club resources.and is simply out of sync or misaligned with where the club has been going. Almost always the committee is working with good intentions but misaligned with the plans or objectives that were put in place in the budget process.

So, you can start to see what I mean when I say there is the lack of alignment in clubs?

While a majority of clubs now seem to have, at a minimum, a stated purpose (mission) and guiding values, those that do rarely seem to look at them. Moreover, those that do not have one usually don't recognize their importance. Countless books that have evaluated top performing companies ("Good to Great," "The Advantage", etc.) have highlighted the well-defined corporate culture that drives consistent quality and shareholder value. Clubs are often not thought of as the businesses they are, yet the average club has nearly a $10.0 million operating budget!

So....back to the alignment comment.

Because a majority of clubs aren't focused on mission or guiding values, don't have a strategic plan or even an annual board retreat to clarify the priorities for the coming year, the social aspects of why people joined the club take over and alignment with anything except the loudest or most vociferous voice often sets the agenda for committees. Often that agenda is not associated with what the club really needs to prioritize. Without the board and general manager setting the agenda for the entire organization, well-intentioned volunteers on committees or simply members of influence (or loud voices) within the club take over.

Frankly, to get the overall alignment in sync, it should start with a clearly defined multiyear, rolling strategic plan that links strategy, tactics, mission and values into common objectives provided to each committee. These should be measurable objectives that drive the foundation of the annual business plan and budget.

There is no easy and quick solution for what seems to be a very common and prevalent misalignment. Our observations, however, suggest that most clubs don't even think about alignment and never even talk about it. It's never on an agenda for discussion and therefore will never be resolved until

someone makes it a priority and sets a process in stone to ensure that future boards don't relinquish their responsibilities to do so in the future.

When I think of this alignment issue, I'm often reminded of Bob Biggerstaff, past president at Grandfather Golf & Country Club in Boone, North Carolina, who once said, "It may be common sense, but it's definitely not common practice."

*Kurt D. Kuebler, CCM, Richard M. Kopplin and Thomas B. Wallace III, CCM/ECM, are partners with Kopplin Kuebler & Wallace, specializing in the national placement of general managers/chief operating officers, directors of golf, golf course superintendents, assistant general managers, executive chefs and certain other key club leadership positions, along with strategic planning and other club consultancy work. Kurt's office is in Jupiter, Florida, Dick's is in Scottsdale, Arizona, and Tom is in Cleveland. They may be reached at +1 561 747 5213, kurt@kkandw.com, dick@kkandw.com, and tom@kkandw.com.*

# FOUNDATIONS FOR BOARD GOVERNANCE

Good governance has always been crucial in all industries. In the corporate world, events such as the Enron scandal are still seen as admonitions against having cracks in the good governance model. However, nowhere is governance more important than in the nonprofit sector. Those with ultimate responsibility in nonprofit organizations usually give their time voluntarily, but this does not absolve them from blame if things go wrong. Therefore, the systems and structures within which they operate have to be especially clear and robust. A whole industry has grown up around effective governance and managing risks. Training and guidance exist in abundance, and much of it excellent. But things don't stand still, and best practices evolve. There currently seems to be an especially sharp focus on good (or bad) governance following some high-profile nonprofit missteps. Attention has moved beyond those in the sector bubble into the mainstream media. Resolution is vital if lessons are to be learned.

But improving governance is not just about guarding against failure. It should not just be a check-the-box exercise after which board members can sit comfortably and abdicate further responsibility. It is about being as effective as possible. Raising average, to good and on to outstanding, to enable a rise in the standards of delivery and outcomes, is essential.

In addition to constructive internal analysis, there is a role for professional advisors, be it your auditor, lawyer or consultant. This can come with a cost, but realistically remunerated sound and robust advice can in the long term be cheaper than that which is free. The independent assessment and insight of a committed and knowledgeable outsider, with the experience of knowing many other similar organizations, can offer a fresh view. And talk to your peers. Learn from what others have done well—and poorly.

RSM US LLP has vast experience looking at nonprofit organizations with an independent, understanding, but critical eye. RSM's Foundations for Board Governance guide uses that wealth of knowledge to not only provide a handy overview of the main issues and areas of debate, but also to frame them both individually and as a cohesive whole. It draws on that experience to highlight common problems and suggest practical solutions, remembering all the time that good governance is not set in stone once reviewed and improved, but is a fluid process that evolves within a robust structure.

Visit https://rsmus.com/NonprofitBoard to access the guide, Foundations for Board Governance.

# GOLF UPDATE

"If you watch a game, it's fun. If you play at it, it's recreation. If you work at it, it's golf."

— Bob Hope

Benchmarking golf course maintenance costs has arguably always been one of the most challenging aspects of ratio analysis in the private club industry. There are so many variables to consider if one is trying to compare course data at the club-by-club level, that it can be very easy to rapidly arrive at incorrect conclusions. Consider this list of factors that leading directors of agronomy cite when they consider benchmarking their courses:

- What type of turf grass does each course have? For example, paspalum vs. Bermuda grass?
- What is the water source for the course and what quality is the water?
- What is the impact of staffing levels from items such as:
  - Frequency of mowing
  - Cultural practice implementation
  - Walk mowing vs. triplexing
  - Amount of detailed work required
  - Have there been recent capital improvements? Are we dealing with 15-year-old greens or two-year-old greens?
- What is the acreage of greens/tees/fairways?
- What is the acreage of maintained native areas?
- How many rounds are played on each course?
- How do we manage the financing of our equipment needs? Do we lease or purchase?

Given all of these factors, we always encourage our clubs to look at a sufficiently long trend line when it comes to course maintenance costs. Does your club's trend line move in line with the market data over an extended period of time or are you an outlier? Should you be an outlier if you consider your course to be one on the higher end of the quality scale? Given that golf course maintenance costs for 18 hole facilities have increased 24% statewide from 2008–2018 (23% for facilities with more than 18 holes), comparing your clubs results to that longer time data profile may well provide more useful insight as to the relative costs of your agronomic practices.

## Golf pro shop operations

| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central |
|---|---|---|---|---|---|---|
| Rounds (18 holes) | 26,500 | 17,500 | 22,200 | 25,600 | 40,800 | 24,100 |
| Annual % change | (0.7)% | 3.6% | (0.4)% | (1.5)% | (4.7)% | 6.6% |
| Rounds (multi, based on 18) | 25,400 | 25,100 | 23,900 | 23,400 | [1] | 27,300 |
| Annual % change | 0.0% | (2.7)% | (1.6)% | 0.9% | [1] | 5.8% |
| Clubs owning in-house pro shop | 82% | 64% | 94% | 89% | 89% | 79% |
| Pro shop cost of sales | 79% | 81% | 82% | 77% | 84% | 72% |

[1] The Southwest CIRA region has insufficient data for multiple courses.

## Golf course maintenance costs per hole

| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central |
|---|---|---|---|---|---|---|
| Cost per hole (18) | $95,800 | $112,100 | $99,800 | $96,600 | $85,700 | $86,300 |
| % change | 4.6% | 6.2% | 3.9% | 4.5% | 5.8% | 1.2% |
| Maintained acres (18) | 109 | 129 | 122 | 105 | 95 | 102 |
| Cost per acre (18) | $15,800 | $15,600 | $14,700 | $16,600 | $16,200 | $15,200 |
| Cost per round (18) | $65 | $115 | $81 | $68 | $38 | $64 |
| | | | | | | |
| Cost per hole (multicourse) | $89,200 | $89,200 | $90,800 | $95,000 | [1] | $77,100 |
| % change | 4.0% | 0.0% | 6.8% | 8.2% | [1] | 1.8% |
| Maintained acres (36) | 252 | 281 | 266 | 242 | [1] | 219 |
| Cost per acre (multi) | $12,750 | $11,410 | $12,320 | $14,140 | [1] | $12,680 |
| Cost per round (multi) | $63 | $64 | $69 | $73 | [1] | $51 |

Note: Does not include capital equipment replacement costs.
[1] The Southwest CIRA region has insufficient data for multiple courses.

Hunters Run Country Club, Boynton Beach, Fla.

## Golf course maintenance costs – 18 holes

| Cost per hole: | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central |
|---|---|---|---|---|---|---|
| Salaries and wages | $44,900 | $53,200 | $50,500 | $44,000 | $38,300 | $41,100 |
| Payroll taxes and employee benefits | 9,600 | 10,400 | 10,500 | 9,600 | 9,200 | 8,800 |
| Course supplies, fertilizers, chemicals, etc. | 22,100 | 24,400 | 22,300 | 22,100 | 23,300 | 18,400 |
| Repairs to equipment, course buildings, water drainage system, etc. | 6,800 | 8,600 | 6,900 | 7,400 | 4,800 | 6,400 |
| Leased equipment | 2,500 | 2,100 | 1,500 | 3,200 | 2,900 | 2,300 |
| All other expenses (including utilities) | 9,900 | 13,400 | 8,100 | 10,300 | 7,200 | 9,300 |
| | $95,800 | $112,100 | $99,800 | $96,600 | $85,700 | $86,300 |
| Totals for 18 holes | $1,724,400 | $2,017,800 | $1,796,400 | $1,738,800 | $1,542,600 | $1,553,400 |
| | | | | | | |
| Salaries and wages | 46.9% | 47.5% | 50.6% | 45.6% | 44.7% | 47.6% |
| Payroll taxes and employee benefits | 10.0% | 9.3% | 10.6% | 9.9% | 10.8% | 10.2% |
| Course supplies, fertilizers, chemicals, etc. | 23.1% | 21.7% | 22.4% | 22.9% | 27.2% | 21.4% |
| Repairs to equipment, course buildings, water drainage system, etc. | 7.1% | 7.8% | 6.7% | 7.8% | 5.5% | 7.4% |
| Leased equipment | 2.6% | 1.9% | 1.5% | 3.3% | 3.3% | 2.7% |
| All other expenses (including utilities) | 10.3% | 11.8% | 8.2% | 10.5% | 8.5% | 10.7% |
| | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Total golf course maintenance costs as a percentage of total club operating expenses | 24% | 25% | 15% | 29% | 23% | 21% |

Mariner Sands Country Club, Stuart, Fla.

## Golf course maintenance costs – multiple courses

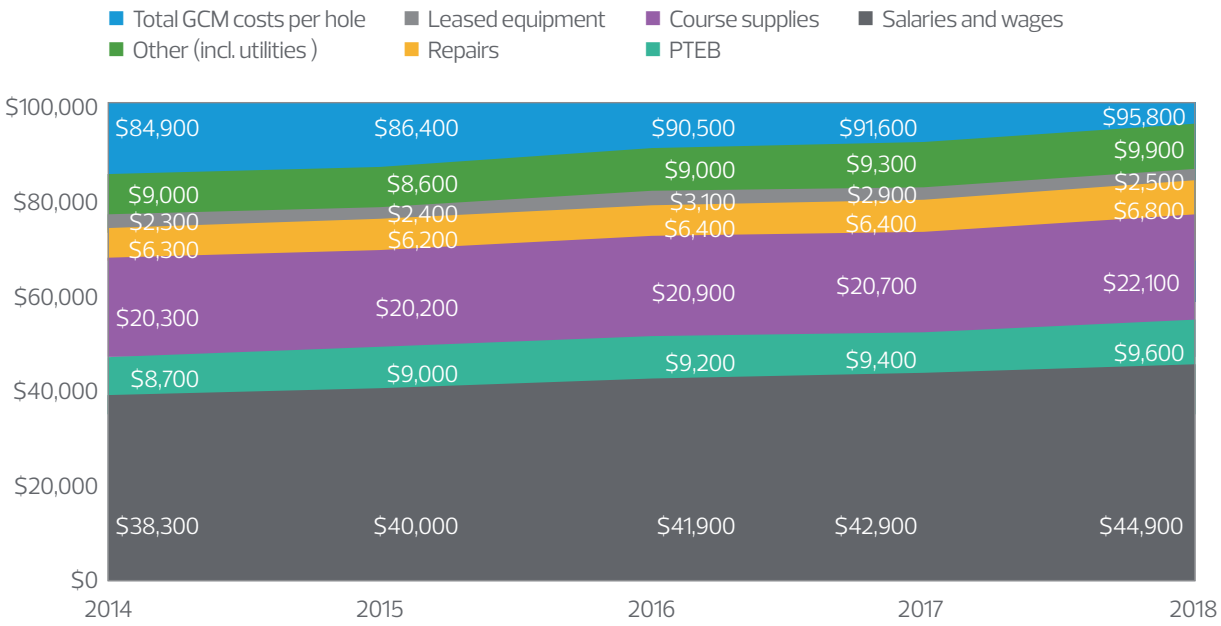
| Cost per hole: | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central |
|---|---|---|---|---|---|---|
| Salaries and wages | $41,300 | $41,400 | $45,000 | $42,000 | [1] | $35,900 |
| Payroll taxes and employee benefits | 9,100 | 10,300 | 8,900 | 8,800 | [1] | 8,300 |
| Course supplies, fertilizers, chemicals, etc. | 21,700 | 21,500 | 20,100 | 24,400 | [1] | 18,000 |
| Repairs to equipment, course buildings, water drainage system, etc. | 6,100 | 5,400 | 7,000 | 6,800 | [1] | 4,900 |
| Leased equipment | 2,500 | 2,300 | 2,400 | 2,500 | [1] | 3,200 |
| All other expenses (including utilities) | 8,500 | 8,300 | 7,400 | 10,500 | [1] | 6,800 |
| | $89,200 | $89,200 | $90,800 | $95,000 | [1] | $77,100 |
| | | | | | | |
| Salaries and wages | 46.3% | 46.4% | 49.6% | 44.2% | [1] | 46.6% |
| Payroll taxes and employee benefits | 10.2% | 11.6% | 9.8% | 9.3% | [1] | 10.7% |
| Course supplies, fertilizers, chemicals, etc. | 24.3% | 24.1% | 22.2% | 25.7% | [1] | 23.4% |
| Repairs to equipment, course buildings, water drainage system, etc. | 6.8% | 6.0% | 7.7% | 7.2% | [1] | 6.3% |
| Leased equipment | 2.8% | 2.6% | 2.7% | 2.6% | [1] | 4.2% |
| All other expenses (including utilities) | 9.6% | 9.3% | 8.0% | 11.0% | [1] | 8.8% |
| | 100.0% | 100.0% | 100.0% | 100.0% | [1] | 100.0% |
| Total golf course maintenance costs as a percentage of total club operating expenses | 22% | 20% | 15% | 28% | [1] | 23% |

[1] The Southwest CIRA region has insufficient data for multiple courses.

BallenIsles Country Club, Palm Beach Gardens, Fla.

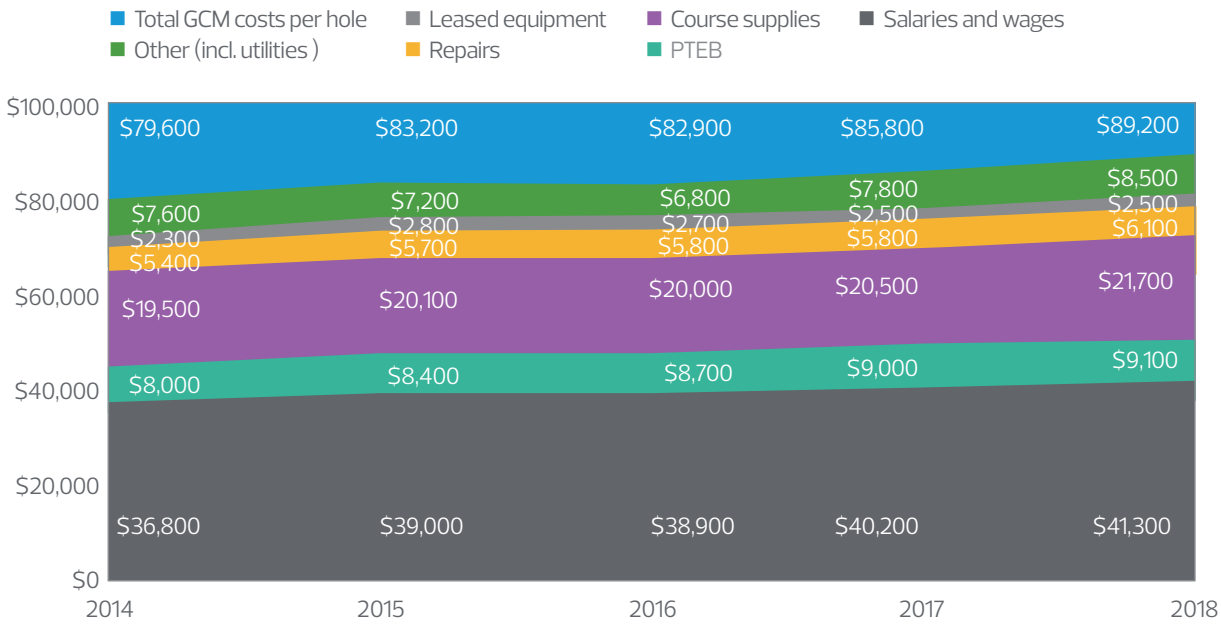
## Golf course maintenance costs statewide trend

### 18-hole courses



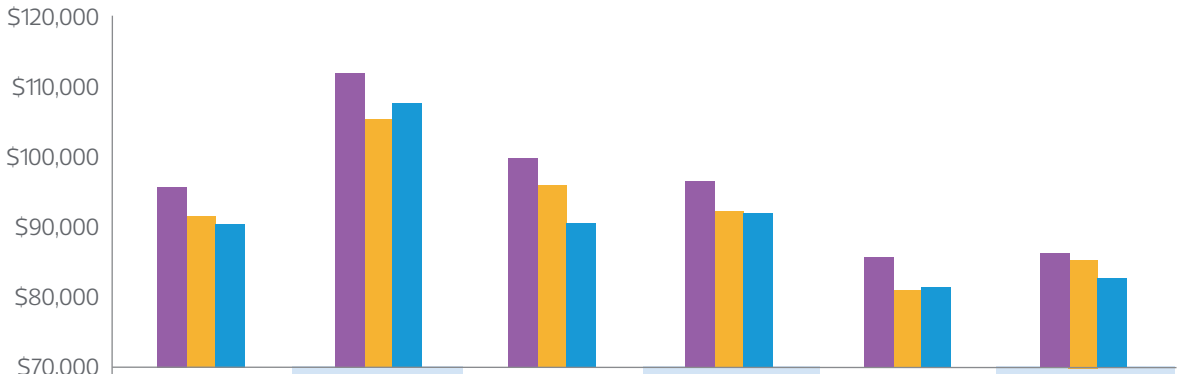

## Golf course maintenance costs statewide trend

### Multiple courses



## Cost per hole by region

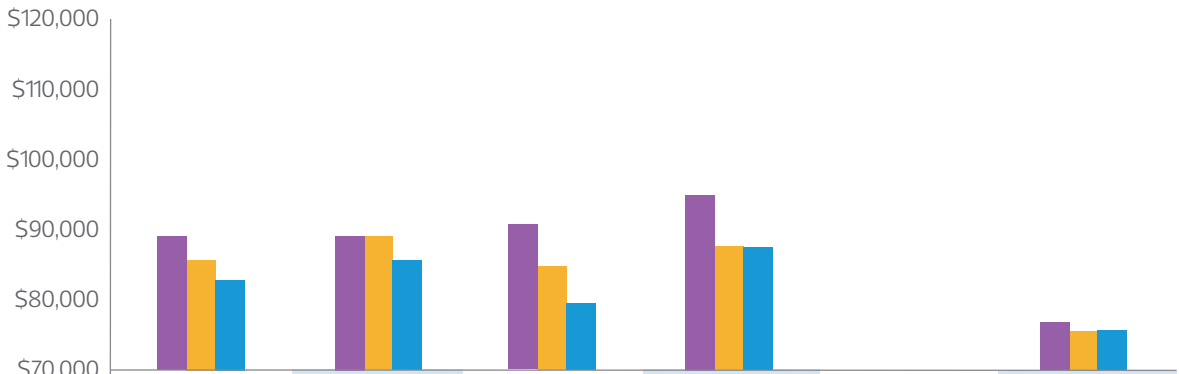
### 18-hole courses




| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central |
|---|---|---|---|---|---|---|
| 2018 | $95,800 | $112,100 | $99,800 | $96,600 | $85,700 | $86,300 |
| 2017 | $91,600 | $105,600 | $96,100 | $92,400 | $81,000 | $85,300 |
| 2016 | $90,500 | $107,800 | $90,600 | $92,200 | $81,400 | $82,800 |

## Cost per hole by region

### Multiple courses

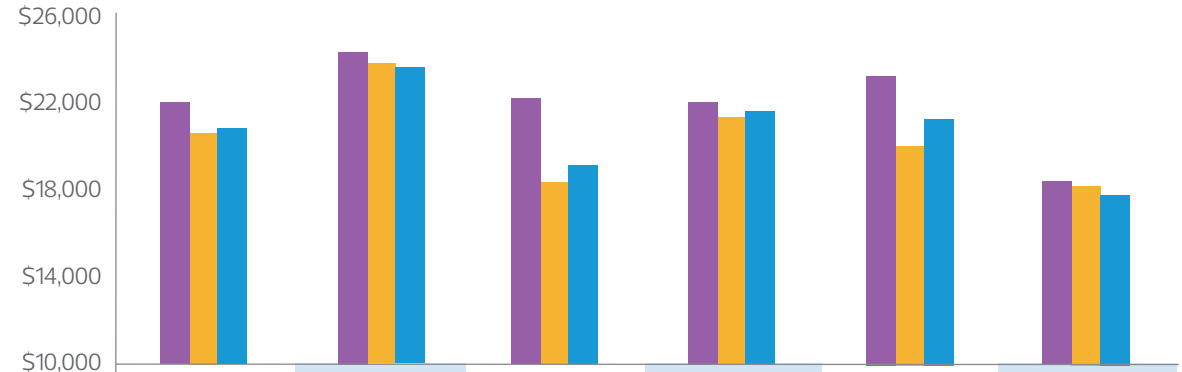



| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central |
|---|---|---|---|---|---|---|
| 2018 | $89,200 | $89,200 | $90,800 | $95,000 | [1] | $77,100 |
| 2017 | $85,800 | $89,200 | $85,000 | $87,800 | [1] | $75,700 |
| 2016 | $82,900 | $85,700 | $79,700 | $87,600 | [1] | $75,900 |

[1] The Southwest CIRA region has insufficient data for multiple courses.

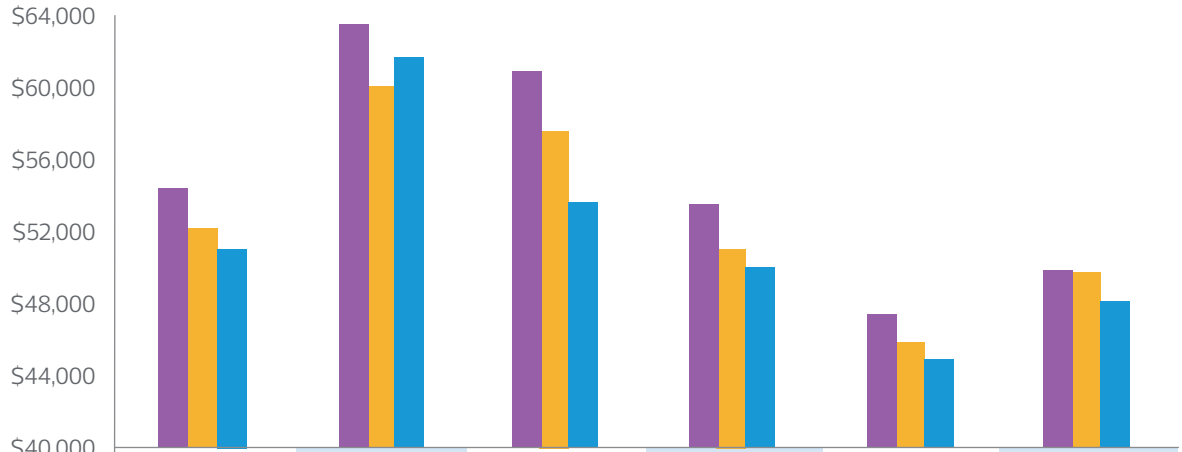
## Significant costs per hole

### Course supplies per hole: 18 hole courses




| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central |
|---|---|---|---|---|---|---|
| 2018 | $22,100 | $24,400 | $22,300 | $22,100 | $23,300 | $18,400 |
| 2017 | $20,700 | $23,900 | $18,400 | $21,400 | $20,100 | $18,200 |
| 2016 | $20,900 | $23,700 | $19,200 | $21,700 | $21,300 | $17,800 |

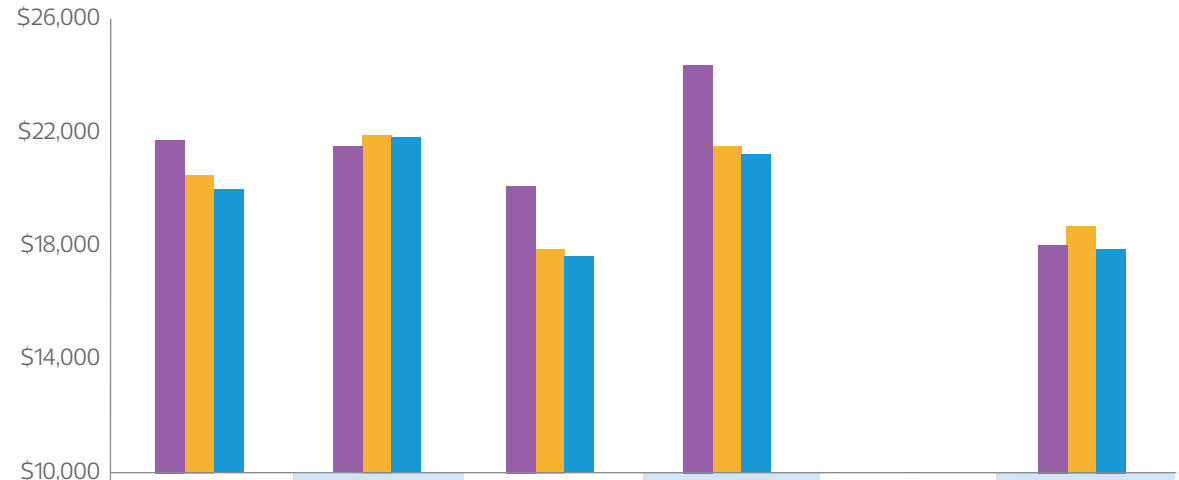
### Payroll costs per hole: 18 hole courses




| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central |
|---|---|---|---|---|---|---|
| 2018 | $54,500 | $63,600 | $61,000 | $53,600 | $47,500 | $49,900 |
| 2017 | $52,300 | $60,200 | $57,700 | $51,100 | $45,900 | $49,800 |
| 2016 | $51,100 | $61,800 | $53,700 | $50,100 | $45,000 | $48,200 |

## Multiple courses

### Course supplies per hole

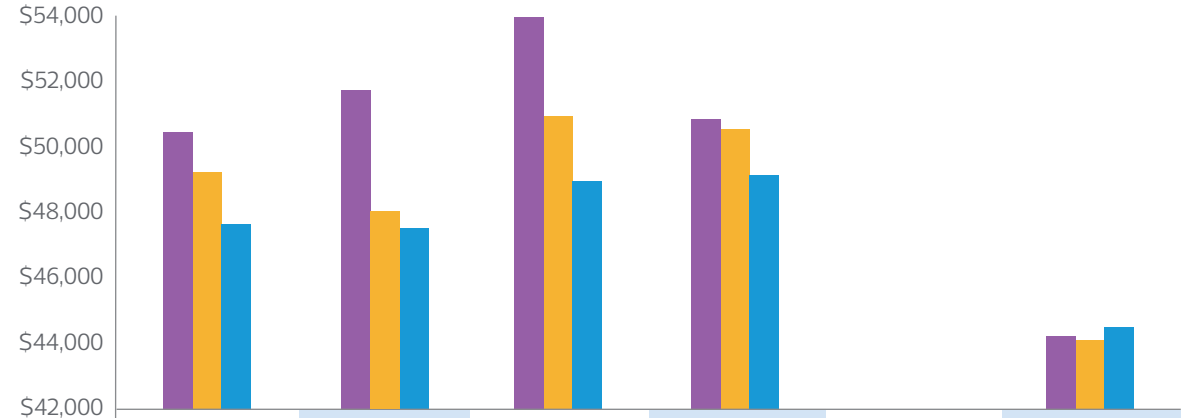



| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central |
|---|---|---|---|---|---|---|
| 2018 | $21,700 | $21,500 | $20,100 | $24,400 | [1] | $18,000 |
| 2017 | $20,500 | $21,900 | $17,900 | $21,500 | [1] | $18,700 |
| 2016 | $20,000 | $21,800 | $17,600 | $21,200 | [1] | $17,900 |

[1] The Southwest CIRA region has insufficient data for multiple courses.

## Payroll costs per hole

### Multiple courses




| | Florida statewide | Southeast w/o Boca | Boca Raton area | Southwest w/o CIRAs | Southwest CIRAs | North and central |
|---|---|---|---|---|---|---|
| 2018 | $50,400 | $51,700 | $53,900 | $50,800 | [1] | $44,200 |
| 2017 | $49,200 | $48,000 | $50,900 | $50,500 | [1] | $44,100 |
| 2016 | $47,600 | $47,500 | $48,900 | $49,100 | [1] | $44,500 |

[1] The Southwest CIRA region has insufficient data for multiple courses.

Mariner Sands Country Club, Stuart, Fla.

# TRENDS BY REVENUE

In addition to the regional and yacht/beach club data classifications, we are pleased to also share certain trend information from a revenue classification perspective.

The following information categorizes our country club clients by size of operating revenue. **The information does not contain any yacht/beach club data.** We trust that readers will find this information, in addition to our traditional regional breakdowns, an additional value-added tool. Please reach out to us if there is further information of this nature that may be of interest to your club.

Thank you again for allowing us to serve you.

| Metric | Operating revenue levels | | | | |
|---|---|---|---|---|---|
| | $0m – $5m | $5m – 10m | $10m – 20m | $20m – 30m | + $30m |
| Total membership level | 430 | 730 | 800 | 1,200 | 1,500 |
| Full member equivalent (FME) | 340 | 630 | 640 | 1,020 | 1,330 |
| FMEs to employees | 7.2 | 6.6 | 3.7 | 3.2 | 2.7 |
| Payroll and related per FME | $6,500 | $6,400 | $11,300 | $14,100 | $14,400 |
| Full membership – dues (2019) | $9,200 | $10,700 | $14,900 | $18,100 | $20,900 |
| Full membership – total annual cost (2018) | $11,800 | $13,900 | $19,300 | $22,800 | $25,800 |
| Full membership – joining fees (2018) | $35,300 | $48,700 | $87,000 | $110,400 | $120,600 |
| Debt/equity ratio | 0.39 | 0.42 | 0.54 | 0.62 | 0.70 |
| Third-party debt per FME | $3,690 | $5,520 | $14,380 | $18,240 | $12,130 |
| Capex/depn. exp 2014–18 | 264% | 182% | 188% | 213% | 173% |
| Capex per FME (2014–18) | $16,930 | $15,000 | $30,650 | $42,140 | $35,520 |
| NBV property and equip. per FME | $24,260 | $23,640 | $47,130 | $50,590 | $52,320 |
| PPE NBV annual growth | 7.0% | 4.0% | 7.2% | 9.2% | 4.1% |
| Members' equity per FME | $23,260 | $22,160 | $40,570 | $42,000 | $37,440 |
| Members' equity annual growth | 5.3% | 2.6% | 3.4% | 5.8% | 1.4% |
| F&B subsidy to combined F&B sales | 42.0% | 42.2% | 43.1% | 65.3% | 82.7% |
| F&B departmental subsidy: Total dues revenue | 10.9% | 13.6% | 14.4% | 20.7% | 22.0% |
| F&B departmental subsidy per FME | $840 | $1,020 | $1,810 | $3,310 | $4,260 |

Williams Island POA, Inc., Aventura, Fla.

Piper's Landing Yacht & Country Club, Palm City, Fla.

Wildcat Run Golf Country Club, Estero, Fla.

St. Andrews Country Club, Boca Raton, Fla.

# EXPERIENCE THE POWER OF BEING UNDERSTOOD

**The solutions RSM provides are rooted in a deep understanding of you, your business and your industry**

RSM's purpose is to deliver the power of being understood to our clients, colleagues and communities through world-class audit, tax and consulting services focused on middle market businesses. The clients we serve are the engine of global commerce and economic growth, and we are focused on developing leading professionals and services to meet their evolving needs in today's ever-changing business environment.

RSM US LLP is the U.S. member of RSM International, a global network of independent audit, tax and consulting firms with more than 41,000 people in 116 countries. For more information, visit rsmus.com.

## Services

- Audit
- Tax
- Consulting
  - Risk advisory
  - Financial advisory
  - Technology
- Wealth management
- International

## Industries

- Banking and financial institutions
- Construction
- Consumer products
- Education
- Financial services
- Food and beverage
- Gaming
- Government contracting
- Government entities
- Health care
- Life sciences
- Manufacturing and distribution
- Nonprofit
- Private clubs
- Private equity
- Real estate
- Technology

Bear Lakes Country Club, West Palm Beach, Fla.

# RSM CLASSIC

## Team RSM

What do our RSM professionals have in common with professional golfers? It's all about the approach.

As first-choice advisors, we care about our clients and colleagues, we're curious to gain understanding, we collaborate to share ideas, we're courageous in looking forward and we use critical thinking to help others make confident decisions.

On the golf course, Team RSM mimics these same characteristics by being caring, curious, collaborative, courageous and critical-thinking players in order to understand how to best use their skills with each new course, tournament and challenge they face.

RSM proudly sponsors PGA TOUR players Chris DiMarco, Zach Johnson, Davis Love III, Chris Kirk and Dru Love and European Tour players Andy Sullivan, Paul Lawrie, Paul Waring, Hinrich Arkenau, Colin Montgomerie and Michele Thomson. From cheering them on to conversing with them during client events and office visits, we are pleased to call them our teammates and valued members of our RSM family.

RSM CLASSIC

## The RSM Classic

Nov. 18–24, 2019

The RSM Classic is a PGA TOUR event played at historic Sea Island Golf Club on the Plantation and Seaside courses. The Lodge and The Cloister at Sea Island are consistently ranked among the countries best by leading industry publications. The tournament is hosted by the Davis Love Foundation, and charitable beneficiaries include Special Olympics, the Boys and Girls Club of Southeast Georgia and other nonprofits. Members of Team RSM will be joined at the 2019 RSM Classic by other PGA TOUR professionals. The event will be televised on the Golf Channel each day.

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