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## 2010 Financial Performance in the Club Industry

Raymond Schmidgall

*Michigan State University, schmidga@msu.edu*

Agnes DeFranco

*University of Houston*

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# 2010 Financial Performance in the Club Industry

## Introduction

The year of 2010 was expected to be the bounce-back year in the U.S. economy. Normally after a sharp contraction in economic activities of the last few years, a normal rapid rebound has followed. Yet, in the beginning of 2009, even the Congressional Budget Office (CBO) predicted a slow recovery in 2010 with only a 1.5% growth in gross domestic product (Congress of the United States Congressional Budget Office, 2009). Indeed, the forecast was correct. Toward the end of 2009, mixed signals were felt from various segments of the economy. The stimulus legislation of 2009 was designed to fuel the economy with household spending. However, especially toward the end of 2009, with the uncertainty of a future tax hike and unemployment not seeing much improvement, cash preservation still was the norm. Consumers did not spend and the savings rate increased. In the banking sector, the number of loans also decreased. This could be due to banks having stricter lending rules or simply that consumers did not want to take on extra debt if unnecessary. The only sector that looked well was trade, and that was mostly due to a weaker U.S. dollar, making U.S. exports more competitive (Englund, 2009).

So, how did the economy affect the club industry? Were club managers able to balance their budgets, borrow less, and pay off debts with extra cash flow? Or did they have to struggle to keep the business going and not to assess members or borrow from the banks? The last year that the club industry posted very positive figures was 2004. In the past six years, club managers

have learned to use various marketing, managerial, and financial skills to do the best job they can for their members. The 2010 financial data showed that managers watched their debt levels and were able to stabilize their establishments, protecting the interests of their members. This article, therefore, reports the state of the club industry in 2010 using 24 financial ratios.

### **Need and Purpose of the Study**

Although the club industry is viewed as a protected segment of the hospitality world due to its membership structure and many clubs are of a nonprofit status, the economy does not discriminate. At the very end, a business is still a business and nonprofit does not mean one can continue to lose money. And in a depressed economy, any tool that managers have to ensure the business can be a success is important. Therefore, club managers need to examine all financial performance indicators periodically and compare how they performed with other similar clubs.

This article serves three important niches. First, while many club financial publications are provided by companies such as Pannell Kerr Foster (PKF) and McGladrey and Pullen LLP, most of the information focuses on the statement of activities (or income statement) instead of the balance sheet (Schmidgall & DeFranco, 2004). Second, although financial ratios publications such as the Business Almanac, Robert Morris & Associates, and Dun and Bradstreet do offer financial ratios by the OSHA standard industry classification (SIC) code of 7997, this code is not exactly useful for normal country clubs, golf, city and yacht clubs. The SIC code of 7997 lumps all sorts of clubs into one category. Thus the financial information of aviation, bridge, baseball, beach, bowling leagues, and even handball clubs as well as country, golf, yacht, and city clubs are all comingled into one (DeFranco and Schmidgall, 2008). These two points

beg the need of a separate study which will distinguish the clubs most represented by the Club Managers Association of America.

Third, several of the aforementioned financial publications report general financial ratios while this study uses ratios suggested in the Uniform System of Financial Reporting for Clubs (2003), reports on twenty-four selected financial ratios of the club industry, compares the median ratios with the financial ratios for the top and low performing clubs, identifies the demographic characteristics of the average respondent, and finally reports key balance sheet and statement of activities<sup>1</sup> financial data for the top and lower performers. For this study, the criterion used to separate the top and low performers are by their returns on assets (ROA). For instance, the top performers are the clubs in the top 20% of the group in terms of their ROA, while the lower performers are the clubs in the bottom 20% of the group in terms of their ROA.

## **Literature Review**

As students need a report card or some sort of measurement to be used as feedback of what they learned and how proficient they are, industry needs report cards also to see if they are doing well. The report card of any industry perhaps is the set of financial statements which consist of the income statement, balance sheet and cash flow statement. When these three statements are combined and ratios are calculated, a solid picture of how a business performed during a certain period of time can then be established. This picture can then be set as a benchmark for continuous improvement.

Benchmarking is not new, and benchmarks can be set for a single club for it to compare

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<sup>1</sup> The income statement for not for profit clubs is called statement of activities. Most clubs are organized as not for profit organizations.

itself from one period to another. More importantly, benchmarks can also be set for an entire industry so each unit or club in this case can compare itself to other clubs in the industry as a whole so as to gauge its performance. Benchmarking started in the manufacturing industry where Camp (1989) first reported Xerox classified benchmarking as a five-step procedure: planning, analysis, integration, action, and maturity. Camp also stressed that once the data were measured, they needed to be analyzed and put through a system of continuous improvement to ensure the company will continue its success.

In the club industry, there is also a set of financial standards in the form of the Uniform System of Financial Reporting for Clubs with the latest edition published in 2003 (Club Managers Association of America, 2003). These standards are followed by many club managers and controllers, and managers use such standards of accounting to then calculate key ratios to analyze the financial health of their operations.

The ratios that are advocated in the Uniform System can be found in most accounting or financial publications. They are usually categorized into five major areas: liquidity, solvency, activity, profitability and operating. Liquidity ratios measure the ability of clubs to meet their short-term obligations. This group includes the current ratio, accounts receivable turnover (times and days), and operating cash flow to current liabilities. Solvency ratios take that a bit further into a longer time line and measure the potential of clubs in meeting their long-term obligations. Ratios in this group therefore include operating cash flow to long-term debt, long-term debt to total capitalization, debt to equity, times interest earned, and fixed charge coverage. The third group, known as the activity ratios, help to indicate management's effectiveness in using the assets of the club. Food inventory turnover (times and days), beverage inventory turnover (times and days), golf merchandise inventory turnover (times and days), property and equipment

turnover, and total asset turnover all belong to this category. Profitability ratios, as its name suggests, assist management in determining the level of profit in the club. Profit margin and return on assets are two prime examples. Finally, the operating ratios, as the name suggests, assists management in determining overall efficiency of club operations. Operating ratios such as food cost percentage, beverage cost percentage, golf merchandise cost percentage, and labor cost percentage are all included to track operating results (DeFranco and Lattin 2007).

Hospitality educators know the importance of ratios in evaluating financial performance and have researched and published in this area for years, starting with Schmidgall's work in the 1980's. Geller and Schmidgall (1984), Temling (1985), and Schmidgall (1988) have all published ratios in the lodging industry. Then, in the 1990's, Swanson (1991) published the first detailed analysis of the liquidity of lodging firms; and ten years later in 2002, Singh and Schmidgall also started their research agenda on financial ratios in the lodging industry.

For the club industry, financial ratios were discussed in detail when Schmidgall and Damitio first wrote their textbook entitled Accounting for Club Operations (2001). It immediately became a standard recognized by the Club Managers Association of America and its members. Three years later, Schmidgall and DeFranco started a series of articles on club financial ratios, setting the first benchmarks in 2004 (Schmidgall & DeFranco 2004), analyzing trends since 2007 (DeFranco & Schmidgall 2007; DeFranco & Schmidgall 2008, DeFranco & Schmidgall 2009, Schmidgall & DeFranco 2011), examining inventory practices (DeFranco & Schmidgall 2009), and even interviewing industry professionals on the need for revising the 2003 edition of the Uniform System (DeFranco & Schmidgall 2010). In the past six years, due to the economic downturn, Some clubs took on considerable debt, which turned into high interest payments, and created major cash flow issues for some struggling clubs.

Schmidgall also teamed up with Singh (2007) to investigate operating budgets for clubs for a 20 year period from 1986 to 2006 and found that over 75% of clubs focused on the bottom-line as a tentative financial goal and 48 percent prepared operating budgets and had a tentative financial goal prior to starting the budgeting process.

## **The Collection and Analysis of Data**

In this study, questionnaires were mailed to 1000 members of the Hospitality Financial and Technology Professionals associated with the club industry. This particular sample of financial personnel was deemed as the proper target respondents rather than general managers from the Club Managers Association of America because the club financial executives are those who have ready access to the financial information.

The survey was divided into four areas. Part I concentrated on general information of the club in terms of type, number of members, and geographic location. Part II looked at balance sheet information, Part III for the statement of activities, while Part IV dealt with the information from the statement of cash flows.

A total of 108 usable questionnaires were returned as “undeliverable” thus resulting in 892 club financial executives being the sample size. A total of 108 surveys were returned, yielding a response rate of just over 12 percent; and SPSS was used to assist in the data compilation and analysis. The return rate is comparable to the sample size of similar studies as cited in the literature review.

## The Results

### *Demographic Data of the Clubs*

As summarized in Table 1, 71% of the respondents to the survey were controllers, with another 17% being chief financial officers. Assistant controllers and the “Other” category each reported at 6%. As for “Other”, the responses ranged from accountant, to account manager, to accounting support, to treasurer. It appears all these respondents are in positions to have the financial information to complete the mailed questionnaires.

The majority of the 108 respondents were from country clubs (62%) with city clubs (17%) coming in as the distinct second. Golf clubs reported in at 10%, and other clubs, such as yacht clubs and other specialty clubs, reported at 11%.

In terms of membership, about half of the clubs are between 300-500 members (23%) and 501-750 members (28%). Another 42% are spread among the larger clubs: 751-1,000 members reported in at 15%, 1,001 to 1,500 members at 16% and over 1,500 members at 11%. The majority of the respondents are from the eastern part of the U.S. (56%), while 86% of the clubs are nonprofit in nature.

<<Insert Table 1 About Here>>

### *Key Ratios*

Key ratios always tell the story of a business. In this case, twenty-four ratios are reported to provide a snapshot of the industry in terms of its liquidity, solvency, activity, profitability, and operating efficiency. Median figures rather than mean averages are used in this study as averages could be skewed by financial data reported at the extreme ends of the data continuum. In addition to the median, the median results of the top 20% of the clubs and the bottom 20% of



the clubs, using ROA as the delineating measurement, are also shared. This extra classification of data provides management with a deeper understanding and wider perspective when making comparisons.

### Liquidity Ratios

#### **1. Current ratio = current assets / current liabilities.**

A current ratio of exactly 1.0 means a club has the exact amount of current assets to pay its current debts. As seen in Table 2, 1.68 is the median current ratio of the clubs at the end of 2010, as the top performers reported a current ratio of only 1.58 while on the contrary, the low performers reported at 1.93. At first glance, this may not make any sense as to why a low performer in terms of return on assets is able to pay its current debt with its current assets 1.93 times over whereas the top performer can do so only at 1.58 times. This may very well be how the clubs decide to use their cash and current assets. Although the top performers can cover their debt at a lower multiple, these clubs can be using that extra cash to make investments yielding a higher profitability in return. Thus, the question for club management is how should they manage their cash and other assets to affect the greatest yield for their membership.

#### **2./3. Accounts receivable turnover = total revenues / average accounts receivable (times and days)**

Accounts receivable turnover was at a high of 10.14 reported in 2005 (DeFranco & Schmidgall 2008). In 2010, the median accounts receivable turnover was at 11.21, highest in this stream of research from 2003 through 2010, with a 8.59 times for the low performers and a record breaking 13.20 times for the top performers. This means the median club is able to collect its receivables in 33 days, the top performers in 28 days and even the low performers were able to convert their accounts receivables into cash in 42 days. It appears that club executives

are managing their cash flows and perhaps tightening their credit policy more than in the recent past few years..

**4. Operating cash flows to current liabilities = operating cash flow / average current liabilities**

A 0.44 median is recorded for 2010 which means for each \$1.00 of current debt, clubs are able to provide \$0.44 cash flow generated from operations (not by investing or financing activities) to pay the current obligations. The \$0.81 operating cash flow to current liabilities for the top performer is most encouraging. However, the low performers only reported a \$0.09, not even at dime on the dollar. This means low performers may well have to look at other means such as generating cash from financing and investing activities to be able to pay the current liabilities; neither one is promising at all in this economy.

## Solvency Ratios

### **5. Operating cash flows to long-term debt = operating cash flows / long-term debt**

Solvency ratios and liquidity ratios are similar in that the former measures long-term while the latter, short-term. This ratio is the sister ratio to the last liquidity ratio discussed in that it looks at the amount of operating cash flow available to pay for long-term debt. A median of 0.18 while low, is not totally alarming as this is the coverage of long-term debt. The top performers do enjoy a ratio of 0.59. However, the low performers, at only a 0.03, will need to pay more attention to generating operating cash flows as the 0.03, rate is far less than the 0.08 rate reported for 2009 (Schmidgall & DeFranco 2011).

### **6. Long-term debt to total capitalization = long-term liabilities / (total long-term liabilities + total members' equity)**

As this ratio measures debt, the lower it is, the better from a debt perspective. The median club in 2010 reported a long-term debt to capitalization ratio of 0.12 with the top performers at 0.11 and the low performers at 0.25. Thus 25% of the capitalization of the low performers is made up of debt. This essentially doubles the median club and the top performing clubs. These clubs may have some long-term challenges.

### **7. Debt-equity ratio = total long-term liabilities / total members' equity**

The debt-equity ratio is a variation of the previous ratio in that instead of comparing only long-term debt to the total capitalization, this looks at total debt but only compares that to the equity part of the capitalization. The median for this ratio was at 0.10 at the end of 2010, with the low performers at 0.13 and top performers at 0.12. Again, this was marked improvement from 2009 when the low performers were at 0.67 (Schmidgall & DeFranco 2011). Since both creditors and management often prefer less debt, it is ideal for this ratio to be low. It appears club managers are trying their best to control their debt level.

**8. Times interest earned (TIE) = (net income + interest expense) / interest expense or = EBIT / interest expense**

While the total debt level to equity improved in 2010, the ability for clubs to pay their debt is telling another story. Using interest expense as a key, TIE measures the number of times a club can cover its interest payment. Creditors pay a lot of attention to this ratio and it normally runs about 1.50 for a median club (DeFranco & Schmidgall 2008). The 1.48 in 2010 for the median club is right on target. The top performers show off their colors at 15.92 times. In 2009, the top performers even reported a higher rate of 21.5 (Schmidgall & DeFranco 2011). However, the lower performers are suffering at a negative rate of -3.93, signifying they are unable to generate any income before interest and taxes to pay their interest obligations. So while the top performers can celebrate, the low performers need to find ways to pay interest with their limited operating cash flows.

**9. Fixed charge coverage = (net income + interest expense + rent expense) / (interest expense + rent expense)**

The fixed charge coverage extends the TIE and adds on rent expense to assess a club's solvency. This ratio is calculated only for 35 clubs which reported rent expense. The median of 0.58 was not good as it means there were only \$.58 of earnings before interest and rent to cover the interest and rent needed when a club needs to have at least a multiple of 1.00 to cover the expenses. The low performers' -1.21 times again showed that the income was in the negative. Although the top performers reported at 3.31 times, it is still low compared to the 19.19 times reported by the top performers just a year ago (Schmidgall & DeFranco 2011). Still since it covers only 35 clubs overall it is not of as much concern as the TIE ratio.

### Activity Ratios

#### **10./11. Food inventory turnover = cost of food used / average food inventory (times and day)**

The 2010 activity ratios are holding up fairly well. Food inventory turnover was at a median of 18.54 times, meaning the food inventory is turned over every 20 days. With food staying in the operation for an average of less than three weeks, this appears to reflect good management of the food inventory. The top performers were able to hold the food for just two-and-a-half weeks or 17 days, turning it over 21.59 times a year while the lower performers were also good at turning their food inventory 20.03 times or every 18 days.

#### **12./13. Beverage inventory turnover = cost of beverage sold / average beverage inventory (times and day)**

While the food needs to stay fresh and turned over quickly, beverage always turns over very slowly. A 3.48 beverage turnover was reported as the median, with the beverage inventory staying in the club for an average of 105 days. The top performers were able to turn the inventory quicker by a third at 4.76 times (77 days), while the low performers held onto their inventory an average of 122 days, turning it over only 2.99 times a year.

#### **14./15. Golf inventory turnover = cost of golf merchandise sold / average golf merchandise inventory (times and day)**

As expected, golf inventory turnover is always the lowest of the three inventory turnovers in a club due to the nature of the merchandise being non-perishable. However, with clothing coming in and going out of style and golf equipment is always improving within the golf industry. The newest golf clubs enable many golfers to hit the balls for longer distances and straighter, so it is important that the pro shop keeps the inventory moving. A 2.34 median only means this inventory is turned just over twice a year. This also means the clubs are holding on to

this inventory for 156 days! The fact that the low performers are only slightly below at 2.32 times (157 days) and the top performers at 2.58 times (141 days) is a little surprising.

**16. Property and equipment turnover = total revenues / average net fixed assets**

This activity ratio indicates the extent a club is using its fixed assets to generate revenues; therefore, the higher a property and equipment turnover ratio, the better. In 2010, the club industry reported a median of 0.68. Thus, for every dollar of net property and equipment invested and shown on the balance sheet at the average club, only \$.68 of revenues were generated. The top performers reported this ratio at \$0.94 to a dollar and the low performers were only at \$0.54 to a dollar.

**17. Total asset turnover = total revenues / average total assets**

Similarly, total assets turnover measures the effectiveness of a club using all its assets to generate revenues. In 2010, a median of 0.52 translates to \$0.52 being generated in revenues for every dollar of assets a club had. For the top performers, \$0.63 in revenues were generated and the low performers' ratio was reported at only 0.46.

*Profitability Ratios*

**18. Profit margin = net income / total revenues**

If clubs are not generating high revenues and still have to carry debt, the only way to survive is to manage costs so that there is considerable net income to keep the club financial strong. The year 2010, as expected, was a difficult year for the club industry. The state of the general economy has really affected club management. The median club was right at breakeven with a profit margin of 0.10%. The top performers were able to squeeze out 8.85% in profit while the low performers were at a loss of 11.21%.

**19. Return on assets = net income / average totals assets**

The return on assets also showed a near breakeven of 0.05% return at the median, with

the top performers reporting at 5.23%. Unfortunately for the low performers, though their loss was not as significant as in the profit margin of -11.21%, their ROA was still reported at -5.28%.

**20. Operating efficiency ratio = income before fixed charges/ total revenues**

The operating efficiency ratio magnifies the differences. While the median was reported at 17.7%, the top performers were at 23.74% while the low performers were at 8.85%. Each line item before “income before fixed charges” can and should be controlled by management. Therefore this ratio is a great performance measurement for managers’ overall managerial effectiveness.

Operating Ratios

**21. Food cost percentage = cost of food sold / food sales**

This last category of ratios also helped members to evaluate their manager’s effectiveness and they all related to how the clubs were being operated and managed. The first ratio, food cost percentage, was reported at 40.19% with the top performers at 34.72% and the lower performers at 40.90%. With such little difference between the median and lower performers and almost 5.5% between the median and the top performers, this means there are opportunities for all in looking at food cost.

**22. Beverage cost percentage = cost of beverage inventory / beverage sales**

In terms of beverage cost percentage, this is quite an opposite picture as the beverage cost percentages of the low, median and top performers were all within 1.5%. The low performers reported a beverage cost percentage of 31.97%, which incidentally is 0.05% better than the median of 32.02%. The top performers recorded a beverage cost percentage of 30.59%.

**23. Cost of golf merchandise percentage = cost of golf merchandise / golf merchandise sales**

While the beverage cost percentage is close, the golf merchandise cost percentage showed an opposite picture to that of the food cost where the low performers recorded the lowest cost percentage of golf merchandise at only 23%, with the median at 32.10% and the top performer at 36.34%. Therefore, although the low performers are not turning their inventory, they are making more sales (as shown on Table 3) and are able to keep their costs lower than the rest.

**24. Labor cost = cost of labor / total sales**

Labor cost is always a huge expense for every club. In 2010, managers were able to rein the cost in below 50% at 49.78%. Indeed, the top performers were able to shave a bit off and reported at 48.23%. The low performers, however, recorded a rate of 54.35%. With this high labor cost percentage, and also other higher expenses for the low performing clubs, a loss for the year was inevitable.

<<Insert Table 2 About Here>>

***Key Balance Sheet and Statement of Activities Data***

Financial ratios are but only one tool for club managers. To fully utilize financial data, a quick analysis of key balance sheet and statement of activities line items would be beneficial in obtaining the total picture of what truly happened in 2010. Using the proper standards, in this case, the Uniform System of Financial Reporting for Clubs, key balance sheet and statement of activities accounts are collected and reported.

<<Insert Table 3 About Here>>

Table 3 shows the key accounts from the balance sheet and statement of activities with the values of both the low and top performers. A comparative analysis is also shared. Three



accounts in the balance sheet and ten accounts in the statement of activities are highlighted (numbers are in bold print) as the differences in these accounts are over 25%.

From the balance sheet, cash, other current assets, and total member equity posted significant differences (>25%) between the top and low performers. The low performers only have 70% of the cash of the top performers, about 58% of their other current assets, and a bit over 70% of their total member equity. What did not help, though with smaller dollar and percentage differences, is that the low performers also carried more accounts receivable, beverage inventory and long-term liabilities. With all these added together, a picture of more debt and less cash led to less financial stability as shown on the low performing clubs' balance sheets.

In the Statement of Activities, ten accounts are highlighted of which nine of them led to the result of the tenth account, the total increase in net assets, with the top performers boasting over \$1 million while low performers reported at a loss of -\$676,822. Recall in the ratios analysis that the low performers managed their cost of golf merchandise much better than the top performers. This is true as indicated in Table 3 that the low performers had a lower cost of golf merchandise and much higher sales, at a rate of over 40% of that of the top performing group. However, besides this one area, the top performers outranked the low performers in almost all other areas.

The low performers only had about 75% of the food sales and 50% of the beverage sales of the high performers. Without the sales, even if one can control costs, there is less left to pay other bills. The initiation fee of lower performing clubs is only at a level of 38% of the top performing clubs. This, again, may be a negative effect of the economy. Thus, just looking at these few accounts, the total revenues summed up the dismal picture that the low performers

only recorded about 80% of the revenues the top performers enjoyed. The interest expense is another area. Again recall the higher debt the low performers carried. This translated into a much higher interest expense with the top performers having to pay about \$56,000 versus the \$132,000 that the low performers had to pay.

## **Conclusion and Implications**

Indeed, 2010 proved to be another difficult year for the club industry. However, there are many positive signs also. Compared to previous years, the overall debt level of 2010 was under control (Schmidgall & DeFranco 2011). This showed club managers are being more cautious in incurring debt. Yet, it was not easy for clubs to generate revenue in an economic downturn and many clubs suffered with less operating cash flow. The industry as a whole also tried to manage cost prudently and was able to do so for the most part. Profit margins were also better this year than those of 2009. It is imperative that clubs need to continue to be vigilant in tightening their decision making process, look at every single expense and explore all means for bringing in revenues.

### ***The Industry - Club Management***

First, club managers need to review and compare their club's performance to that of the industry and set goals with and for their employees. If a club is performing right at median, management should see if goals can be set to be above the median. If a club is performing in the bottom group of clubs, look at each line item and see where the low hanging fruits are and set the simple goals to get some positive short-term results and longer term goals to sustain that positive trend. If a club is performing at the top echelon already, set some tough goals to maintain that

competitive edge.

Then, keep constant communication with staff. The more management can educate and share financial goals and actual results with the staff, the better each would understand the importance of their job in contributing to the success of the organization. They can be in the form of financial briefings at the beginning of an employee meeting or certain benchmarks updated on the white board as servers enter the kitchen area to the notice board by the storeroom to stress inventory management.

Third, solicit staff suggestions. When organizations are faced with budget cuts, many use this strategy to ask their employees what can be done to save money and yet provide top notch service and products. Employees are the ones in the trenches. If there is any opportunity to trim costs, they will be the ones who know. Moreover, employees will have more “buy-in” when they are part of the decision making process. For example, ask the bartenders for beverage cost saving. Another is to work with the pro shop staff on goal inventory management and sales promotion. Check with other controllers in other clubs about how they tackle some of their challenges and learn from each other.

Then, the monitoring process sets in. As management, club managers need to take the lead or appoint a team to help monitor the process. During the process, if revenues go up, congratulate the employees and let them know that their ideas work and celebrate. If the set goals are not working, call the huddle again and look at plan B for contingency. It is important to check the financial status against the goal or budget to make sure adjustments can be made along the way to map out the road to success. Finally, if a goal is reached, acknowledge success, but never stop. Keep the feedback going, keep the lines of communication flowing, and set new goals for continuous improvement.

### *The Academe - Hospitality Educators*

The best tool for teaching is real life examples and lessons learned. Financial data in this research are real life data that can establish trend lines for educators to help paint a picture to their students about the reality of the industry, what areas are important for the success of a club, the need of cash flow management, the significance of a proper debt level, and many others.

In hospitality financial management, educators often focus on the theories and teach students how to calculate ratios and minus expenses from revenues to get to the bottom line. Perhaps more stress needs to be put on why the ratios are important and the hidden pitfalls that they can signal to management. It is easy for a student to remember current ratio as one number divided by another but what does that mean, what is considered as a good current ratio and what is considered bad that a club manager may need to start taking actions, etc. When real life numbers and management techniques are mixed in with the theories, suddenly learning comes to life and students are challenged to critically think about the issues at hand rather than strict memorization.

Knowledge integration helps increase students' retention of materials learned. From the 2010 results, it is obvious that generating sales is becoming more difficult. So, perhaps integrating an accounting/ finance class with a marketing class to do a joint lecture or a short project would be meaningful. In terms of debt levels, perhaps having a banker as a guest speaker to talk about the latest credit rules for loans will be an added bonus. When it comes to golf inventory management, invite a golf pro shop manager to speak to the class or better yet, arrange for a tour and lecture at a local club to see how inventory is actually being ordered, stored, displayed, sold, and accounted for. Opportunities can be endless!

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Raymond S. Schmidgall, Ph.D., is the Hilton Hotels Professor of Hospitality Financial Management in the School of Hospitality Business at Michigan State University. Agnes DeFranco, Ph.D., is the Associate Vice President for Undergraduate Studies & Professor in the Conrad N. Hilton College of Hotel and Restaurant Management at University of Houston.

**Table 1. 2010 Demographics of Respondents**

		<b><u>2010</u></b>
<b>Title of respondents:</b>		
Controllers		71%
CFO's		17
Assistant Controllers		6
Other		<u>6</u>
Total		<u>100%</u>
<b>Types of clubs:</b>		
Country Clubs		62%
Golf Clubs		10
City Clubs		17
Other Clubs		<u>11</u>
Total		<u>100%</u>
<b>Number of Members:</b>		
< 300		7%
300-500		23
501-750		28
751-1,000		15
1,001-1,500		16
> 1,500		<u>11</u>
Total		<u>100%</u>
<b>Location of Clubs in US:</b>		
East		56%
Central		27
West		<u>17</u>
Total		<u>100%</u>
<b>Profit Orientation:</b>		
Not for Profit		86%
For Profit		<u>14</u>
Total		<u>100%</u>

**Table 2. 2010 Comparison of Key Financial Ratios**

	<b>Bottom 20% - Low Performers</b>	<b>Median</b>	<b>Top 20% - High Performers</b>
<b>Liquidity Ratios:</b>			
Current Ratio	1.93	1.68	1.58
Accounts Receivable Turnover	8.59	11.21	13.20
Average Collection Period	42 days	33 days	28 days
Op. Cash Flows to Current Liabilities	0.09	0.44	0.81
<b>Solvency Ratios:</b>			
Op. Cash Flows to Long-term Debt	0.03	0.18	0.59
Long-term Debt to Total Cap.	0.25	0.12	0.11
Debt-equity Ratio	0.13	0.10	0.12
Times Interest Earned	(3.93)	1.48	15.92
Fixed Charge Coverage	(1.21)	0.58	3.31
<b>Activity Ratios:</b>			
Food Inventory Turnover			
a. Times	20.03 times	18.54 times	21.59 times
b. Days	18 days	20 days	17 days
Beverage Inventory Turnover			
a. Times	2.99 times	3.48	4.76 times
b. Days	122 days	105 days	77 days
Golf Merchandise Inventory Turnover			
a. Times	2.32 times	2.34	2.58 times
b. Days	157 days	156 days	141 days
Property & Equipment Turnover	0.54	0.68	0.94
Total Asset Turnover	0.46	0.52	0.63
<b>Profitability Ratios:</b>			
Profit Margin	(11.21 %)	0.10%	8.85 %
Return on Assets	(5.28 %)	0.05%	5.23 %
Operating Efficiency	8.85%	17.7%	23.74 %
<b>Operating Ratios:</b>			
Food Cost Percentage	40.90 %	40.19%	34.72 %
Beverage Cost Percentage	31.97 %	32.02%	30.59 %
Golf Merchandise Cost Percentage	23.00 %	32.10%	36.34 %
Labor Cost Percentage	54.35%	49.78%	48.23%



**Table 3. 2010 Key Balance Sheet and Statement of Activities Financial Data Differences**

<b>Balance Sheet Financial Data Difference</b>	<b>Low Performers</b>	<b>Top Performers</b>	<b>\$ Difference</b>	<b>% Difference</b>
Cash: End	<b>\$573,322</b>	<b>\$827,957</b>	<b>\$254,635</b>	<b>30.75%</b>
Acct. Rec.: End	697,089	564,042	(133,047)	-23.59%
Food Inv.: End	23,695	24,953	1,258	5.04%
Bev. Inv.: End	41,186	35,875	(5,311)	-14.80%
Golf Pro Shop Inv.: End	114,720	133,961	19,241	14.36%
Other Current Assets: End	<b>129,450</b>	<b>224,825</b>	<b>95,375</b>	<b>42.42%</b>
Total Current Assets: End	1,890,002	2,286,959	396,957	17.36%
Total Fixed Assets: End	20,414,603	21,736,242	1,321,639	6.08%
Total Accum. Depr.: End	(9,223,861)	(8,781,865)	441,996	-5.03%
Other Assets: End	69,782	78,625	8,843	11.25%
Total Assets: End	13,838,639	17,512,066	3,673,427	20.98%
Total Current Liab.: End	1,036,564	1,353,522	316,958	23.42%
Total long-term Liab.: End	550,960	467,243	(83,717)	-17.92%
Total Member Equity: End	<b>5,967,845</b>	<b>8,387,622</b>	<b>2,419,777</b>	<b>28.85%</b>
<b>Statement of Activities Financial Data Difference</b>	<b>Low Performers</b>	<b>Top Performers</b>	<b>\$ Difference</b>	<b>% Difference</b>
Total Dues	\$3,047,136	\$3,554,051	\$506,915	14.26%
Total Food Sales	<b>1,139,273</b>	<b>1,546,236</b>	<b>406,963</b>	<b>26.32%</b>
Total Beverage Sales	<b>394,000</b>	<b>659,945</b>	<b>265,945</b>	<b>40.30%</b>
Total Golf Pro Shop Rev.	<b>852,082</b>	<b>604,152</b>	<b>(247,930)</b>	<b>-41.04%</b>
Total Initiation Fees	<b>298,200</b>	<b>785,346</b>	<b>487,146</b>	<b>62.03%</b>
Total Other Revenues	<b>635,630</b>	<b>1,092,111</b>	<b>456,481</b>	<b>41.80%</b>
Total Revenues	6,014,867	7,512,745	1,497,878	19.94%
Cost of Food Sold	<b>435,507</b>	<b>588,601</b>	<b>153,094</b>	<b>26.01%</b>
Cost of Beverage Sold	<b>136,027</b>	<b>188,834</b>	<b>52,807</b>	<b>27.96%</b>
Cost of Golf Merch. Sold	<b>209,500</b>	<b>285,464</b>	<b>75,964</b>	<b>26.61%</b>
Total Payroll Expenses	3,269,050	3,623,613	354,563	9.78%
Interest Expense	<b>132,000</b>	<b>55,938</b>	<b>(76,062)</b>	<b>-135.98%</b>
Depreciation Expense	834,446	682,076	(152,370)	-22.34%
Rent/Lease Expense	72,966	91,327	18,361	20.10%
Property Insurance Expense	85,167	97,519	12,352	12.67%
Personal Property Tax Exp.	14,883	15,456	573	3.71%
Real Property Tax Expense	175,437	167,188	(8,249)	-4.93%
Utilities Expenses	292,187	295,230	3,043	1.03%
Total Inc. in Net Assets	<b>(676,822)</b>	<b>1,054,330</b>	<b>1,731,152</b>	<b>164.19%</b>