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Agnes L. DeFranco

Conrad N. Hilton College of Hotel & Restaurant Management, University of Houston, Houston, TX

Raymond S. Schmidgall

Hospitality Financial Management, The School of Hospitality Business, Michigan State University, East Lansing, MI

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Cash Budgets, Controls, and Management in Clubs

Agnes L. DeFranco^a and Raymond S. Schmidgall^b

^aConrad N. Hilton College of Hotel and Restaurant Management, University of Houston, Houston, TX; ^bHospitality Financial Management, The School of Hospitality Business, Michigan State University, East Lansing, MI

ABSTRACT

Cash is important, because it pays for all expenses and obligations. On an annual basis, designated individuals will compile a cash budget for the coming year, which club management will use as a blueprint to operate their clubs and ascertain the timing of the cash inflows and outflows. This study, therefore, explored the extent to which cash budgeting is used in clubs, the various cash budget practices, and whether such practices differ by the demographic characteristics of the clubs. The results showed that cash management in clubs rested largely in the hands of the chief financial officers and the general managers (GM). While 17.5% of the clubs had their GMs as the responsible person preparing the cash budget, this dropped to only 7.7% when it came to daily monitoring of the amount of cash in the clubs. The cash amount in the bank account of the respondents' club ranged from less than \$100,000 to more than half a million dollars. Subgroup analyses by demographic characteristics also showed statistically significant differences in the: (1) person responsible for daily cash monitoring, (2) person responsible for preparation of the cash, and (3) the targeted amount of cash in the club's checking accounting.

Cash is undeniably the single most important account in the general ledger. It is a simple account, yet it is also the most complex to manage, and it is the one asset that is often pilfered (Wells, 2007). Cash in a club includes petty cash, cash on hand for operational purposes, and also cash in the bank (Schmidgall, 1988). Thus, the one person who has control over cash has a huge responsibility. A club may have an increase in unrestricted net assets (a profit), but because of the accrual basis of accounting, revenues that a club booked on its statement of activities (income statement) might not have been collected, nor have all the expenses been paid. A club can have a wonderful golf course sitting on a prime piece of real estate that has a very high value. However, when bills are due, clubs need to pay the obligations in cash, not with accounts receivables, inventories, a hole on its golf course, or any other assets. Indeed, in tough times, assets might need to be liquidated to become "cash" in order to pay bills. Besides satisfying short-term and long-term obligations, good cash management can not only facilitate a clubs' long-term planning, including capital projects and budgets for shortfalls, but also make borrowing more effective (Born, 1988a).

One commonly accepted and practiced cash management strategy is a cash budget. Any experienced manager who practices sound management will know that the functions of management include planning, organizing, staffing, directing, and controlling. While managers need to plan and have proper budgets, without controls, plans and budgets can fall apart easily. It is through proper controls that one learns from successes and failures and can then take appropriate corrective actions to start the next planning cycle. Abundant and insightful research that has been conducted on budgets (Hesford & Potter, 2010; Jones, 2008; Kosturakis & Eyster, 1979; Mandelbaum, 2013; Oak & Schmidgall, 2009; Steed & Gu, 2009) and capital budgets and expenditures (Denton, 1998; Guilding & Lamminmaki, 2007; Schmidgall, Damitio, & Singh, 1997; Turner & Guilding, 2012, 2013). However, when it comes to cash budgeting, academic research is not as abundant or recent (Caraux & Geller, 1977; DeFranco & Schmidgall, 1997). Books are available that explain that budgeting can and should be used in business management (Epstein, 2012; Wilson, 1984). Perhaps a cash budget is only for the flow of cash and on only one account,

and since a business has a budget already, so long as all the accounts are monitored, management may not see the need for a separate budget just for cash. Yet, a carefully constructed cash budget can provide management with some much needed information. Like a regular budget, the cash budget process also starts with planning and forecasting, and the details are then transformed into inflows and outflows of a cash budget for the operation (Schmidgall, 2016). Having a budget is simply the beginning. As a hospitality operation goes about its daily course of business, and transactions are recorded, the cash account needs to be closely monitored and controlled. On a daily basis, someone, most likely the controller of a club, needs to track the amount of cash in the club.

The club industry is quite different from other segments of the hospitality industry. There is little cash involved, as most transactions are recorded to the members' account and billed as accounts receivables on a monthly basis. Due to this special characteristic, the importance of cash may even be ranked further down on the list of important items to be monitored and managed. On the contrary, it is expressly because clubs do not have many cash transactions on a daily basis that cash budgeting and careful cash management becomes even more important. Cash is needed to pay expenses and meet daily or long-term obligations. A careful and systematic understanding of where cash comes into a club and when cash flows out of the club is critical to the financial success of a club.

Need for the study

Schmidgall and Damitio, in *Accounting for Club Operations* (2001), stress the importance of a cash budget. According to the Club Managers Association of America's (CMAA) 2014 Economic Impact Report (www.cmaa.org), the total direct economic impact of the 2,607 CMAA member-managed clubs is about \$21 billion. The total income was \$20 billion and the total payroll was \$9.5 billion. The industry also paid \$2.5 billion in taxes and employed 363,000 employees, which corresponded to 207,000 full-time equivalents. With all the impressive contributions the club industry makes to the U.S. economy, the need to understand how cash is managed in clubs is critical.

In addition, the average collection period for accounts receivables for the ten-year period of 2003 to 2012 ranged from 33 to 41 days (Schmidgall & DeFranco, 2016b). Because of the need to wait for at least a month to collect, clubs do need to ensure that there is enough cash for the operations. Perhaps due to the nonprofit orientation of most clubs, and members settling their bills via monthly billing, management may not pay as much attention to the cash account as they do to other accounts, and, thus, the literature in cash management or cash budgeting in clubs is also quite scarce. Yet, with good cash planning, especially when the economy is not robust, clubs can ensure that cash is always available and not rely on short-term loans or even membership assessments to continue to provide first-class facilities and services to their members. Hence, the need for more discussion on cash management and cash budgeting will benefit the industry.

Purpose of the study

The scope of this study was to collect data in four areas: (1) demographics of the respondents and their clubs, (2) the extent to which a cash budget is used in clubs, (3) the various cash budget practices in clubs, and (4) whether cash budget practices differ by demographic characteristics of the clubs.

Once the results were tabulated, subgroup analyses were conducted to assess whether cash budgetary practices differ by the demographic characteristics of the types of clubs, the size of clubs (by revenues and members), and the profitability of clubs (as measured by the food and beverage profit margin).

Literature review

Budgeting in the hospitality industry and clubs

Hesford and Potter's (2010) study of accounting research, published in *Cornell Quarterly*, documents systematically the concentration of work on certain topics such as the Uniform System of Accounts, management control, and cost management as the most research topics. They also note that because of the separation of ownership and management in the hotel business, budgeting and capital budgeting are

particularly difficult issues. Most interesting, however, is that few managers adjust their budgets when circumstances change. Yet, while budgeting and capital budgeting are included in the research agenda, cash budgeting is not one of the most studied topics. In addition, these articles are mostly about hotels, with two covering restaurants and none about the club industry. Jones (2008), in her study of budgeting practices in UK hotels, also finds similar results. For example, there is little use of flexible budgeting although the budgeting process itself is viewed as the main performance indicator in hotel organizations. Again, this study, similar to the Hesford and Potter (2010) study, is not about clubs.

Mandelbaum (2013) adds to the budgeting practices in hotels and stresses that 80% of a hotel's budget is impacted by local market conditions. Thus, his analyses are by the major markets. Obviously a hotel in a major city such as New York will be very different from a hotel in a small city in a southern state such as Alabama. This may also be the reason why Smith Travel Research urges the use of the STAR report with predicates on hotels, selecting the proper competitive set in the market in which they operate. Again, this was about hotels, not clubs.

Two studies in 2009 from Oak and Schmidgall and Steed and Gu also shed more light on the budgeting process. Steed and Gu's (2009) study concentrates on hotel management companies. While many positive points are observed, the pair also find that companies spend a tremendous amount of time compiling a budget and yet, sometimes, the budget reviews are more of a subjective argument and negotiations with senior corporate executives rather than allowing for regional exceptions to the corporate process. They also suggest that property managers should take a more active role. This matches Mandelbaum's thesis of budgeting being a local phenomenon. While many lessons can be learned, this study is also on hotels and not clubs.

The most recent comprehensive budgetary study on the club industry was published in 2009 by Oak and Schmidgall. The authors not only documented the practice in 2006 but also compared the practices of the two decades preceding their study, thereby offering a historical and longitudinal perspective to the process of budgeting in clubs. For example, more than 90% of clubs compile their budgets in a

participatory fashion, and 49% of clubs have the general manager, the controller, the department heads, and the committee heads all involved in the process. The acceptable budgeting variances are also documented. However, again, there is no mention of cash budgeting.

Cash and cash flow practices in clubs

In the United States, 1987 was a watershed year in accounting, because the Financial Accounting Standards Board issued a new requirement, known as FASB 95, to take effect beginning July 15, 1988. This requirement essentially replaced the statement of changes in financial position with the statement of cash flow (Geller, Ilvento, & Schmidgall, 1990), signifying the importance of cash. Cash budgeting, therefore, is of extreme importance. Without a concrete plan of cash inflows and outflows and their timing, difficulties with cash flow may arise unexpectedly, and a club's financial or credit worthiness might be jeopardized (Bohannon & Edwards, 1993).

Thus in the next couple of decades, a number of research projects were conducted with regard to cash, cash budgeting, and cash flow statements, resulting in several publications (Bohannon & Edwards, 1993; DeFranco & Schmidgall, 1997; Schmidgall, 1998; Schmidgall & DeFranco, 1997). Moreover, studies were also carried out to investigate how cash is managed via financial ratios, such as the current ratio, quick ratio (also known as the acid-test ratio), operating cash flow to current liabilities, and operating cash flow to long-term liabilities in the club industry. Further, studies were conducted measuring clubs' abilities to collect their accounts receivables, resulting in cash inflows (DeFranco & Schmidgall, 2009, 2013; Schmidgall & DeFranco, 2004, 2011a, 2011b, 2016a).

The tale of two cash budgets

Cash budgets can be approached in two basic ways: the cash receipts and disbursements approach and the adjusted net income approach (Schmidgall, 1998; Schmidgall & Damitio, 2001). Each approach has its own merits depending on the length of time for which the cash budget is set. The cash receipts and disbursements approach is also known as the direct approach. This direct approach is useful when the forecasting period is six months or less. As the name

suggests, this approach communicates the direct cash receipts and disbursements for a period of time. For cash receipts, items can include cash sales, collections of accounts receivable, sale of membership, and loans from financial institutions, to name a few. Alternatively, cash disbursements can include paying vendors, payroll, purchases, mortgage payments, and others. Because it is so detailed and because these are all projections, forecasted numbers of more than six-months out may tend to be less accurate and thus less reliable; however, it is preferred by management who need month-to-month details (Schmidgall, 1988).

The adjusted net income approach is generally preferred for periods of more than six months, and it is also known as the indirect approach. As opposed to the cash receipts and disbursements method that emphasizes internal or operational items, the adjusted net income approach focuses more on the external sources of funds. It is similar in format to the statement of cash flow, but instead of segregating the cash inflows and outflows into operating, investing, and financing activities, it combines all three activities and simply groups all the sources of cash and uses of cash into two big groups. Items in this approach include sale and purchases of fixed assets and payment of long-term debt, among others (Schmidgall & Damitio, 2001). And because it is called the adjusted net income approach, the first two items to be included are adding back depreciation and amortization to net income, because these are noncash expenses. For this reason, this approach is considered to be indirect.

Monitoring and controlling cash

Obviously, when so much work is put into a cash budget, there has to be some very convincing reasons why a club should monitor and control its cash. First, cash budgeting forces management to be proactive rather than reactive (Bohannon & Edwards, 1993). Indeed, managing cash is not only having a cash budget, a document on a piece of paper, but also anticipating the level of cash, accelerating the collection of cash, investing excess cash, and determining when to borrow cash for various reasons. The cash budget, therefore, aids management in making all these decisions. Schmidgall and Damitio (2001) cite two very different reasons why a cash budget was used.

In one instance, a Las Vegas club used a cash budget to finance its capital acquisitions and to invest excess cash. Alternatively, a Georgia club used a cash budget to ascertain if there was sufficient cash to make payroll.

Second, besides being a forecasting tool, a cash budget can also double up as a performance evaluation tool (Bohannon & Edwards, 1993). Just as many clubs use the operations budget to gauge performance, the cash budget is another added source for boards to gauge the performance of management. When different financial goals are set in a congruent fashion to reinforce the importance of one another, the result will also be synergistic. The hotel industry learned this the hard way when at one time, managers were held responsible for increasing the average daily rate of their hotel room inventory. To do so, one just needed to sell rooms at a higher rate and refuse to sell rooms at a lower rate, even if it meant that the rooms may not be sold, as the average daily rate simply meant dividing total revenues by the number of rooms sold. On the other extreme, some hotel managers are judged on their ability to have a high-occupancy percentage. In such cases, so long as the room is sold, one will have great occupancy percentage, because it is calculated solely on rooms sold divided by rooms available regardless of the rate. Therefore, the hotel industry now measures RevPAR, revenue per available room, which combines both the average daily rate and the daily occupancy percentage. The same rationale can be said about having a certain cash level as the target in addition to meeting other financial goals.

Third, there are parties other than the GM and controller who would desire or even require such information. The treasurers and finance committees of clubs, and also creditors and financial lending agencies, are all users of cash information (DeFranco & Schmidgall, 1997). Internal users, such as management, the club's treasurer, the finance committee, and the board, can benefit from monthly and annual statements of cash flows. In fact, some management also prefer sales analysis information that was cash related (DeFranco & Schmidgall, 1997), because this extends the regular cash budget to include more detailed information. External users, such as lenders and creditors, also desire more frequent and more detailed cash information (Schmidgall & DeFranco, 1997) to ensure that their own investments with the clubs are safe.

Fourth, cash is one of the items that is more susceptible to fraud. Indeed, according to the Association of Certified Fraud Examiners (www.acfe.com), in all business entities, cash is a high risk asset and, thus, having controls and monitoring in place are of vital importance. When most of the accounting departments in clubs consist of less than 10 staff members, and some perhaps less than 5, segregation of duties is not always practical, and the implementation of an independent verification step prior to cash disbursements or transfers is highly recommended (www.acfe.com). In other words, good cash control and monitoring is not just good business practice; it can easily be used as a means to detect fraud. From theft of cash on hand, to theft of cash receipts, to fraudulent disbursements such as check or register disbursement tempering, any cash-control measure should be welcomed in a business.

Therefore, this study aimed to provide answers to the following for the club industry in 2016:

- The extent to which a cash budget is used in clubs
- The various cash budget practices in clubs
- Whether cash budget practices differ by demographic characteristics

Methodology

Survey and sampling

The sample for this study was garnered from the membership of the Club Managers Association of America (CMAA). With the kind assistance of CMAA, this survey was sent electronically to 2,400 members identified as GMs/CEOs in April 2016. Following the protocol of previous studies (DeFranco & Schmidgall, 1997; Schmidgall, 1998) and the review of literature on cash management and cash budgets, this research was conducted with a total response of 409 club professionals, yielding a response rate of 17%. The survey instrument, approved by the university's institutional research board, had two major sections. Starting with the demographics of the respondents and their clubs, the survey then moved to the segment on the development and use of the cash budget,

including questions such as the party responsible for developing a cash budget to the level of target cash in the bank.

Data collection and analysis

Using Qualtrics as an online survey tool, the survey was first distributed in April 2016, and a reminder was sent in June 2016. The results were analyzed using SPSS; where frequencies and chi-square statistics were performed.

Results

As mentioned previously, more than 400 responses were received. The results presented here are summarized in three sections: profile of the respondents and their clubs, the cash budget practices, and differences in cash budget practices by demographics.

Respondents and their clubs

Table 1 summarizes the demographic characteristics of the respondents and their clubs. The majority of the respondents (85%) were GMs of their clubs, and the remainder were club managers (5.2%) and assistant managers (1.3%). The "other" category of 8.2% included individuals that held titles of CEO, CFO, COO, Controller, Director of Finance, VP of Finance, a Director of Golf, and also a Director of Food and Beverage. In terms of the type of clubs, nearly 80% (79.3%) were country and golf clubs, and 9.1% were city clubs. Yacht clubs came in third with 2.8%, followed by golf-only clubs at 1.3%. Finally, the other category, which made up 7.5% of this research sample, was beach clubs, hunt clubs, boating clubs, tennis or racquet clubs, university/faculty clubs, and Common Interest Realty Association (CIRA) clubs.

Two different measurements were used to determine the size of the clubs in this study. First, as measured by gross revenues, which would include membership, food and beverage, and all sources of revenues, five categories were designated. The first group, with annual gross revenues of \$2 million or less, only made up 6% of the sample size. The next group, \$2,000,001 to \$3 million, came in second to last, with 10.5% of the respondents. The next group came in third with 19.2%, and they reported \$3,000,001 to

Table 1. Demographics of the Respondents and Their Clubs.

Title of Respondents	Percentage
General Manager	85.3
Club Manager	5.2
Assistant Manager	1.3
Other	8.2
Total	100
Type of Club	
Country/Golf	79.3
City	9.1
Golf	1.3
Yacht	2.8
Other	7.5
Total	100
Size of Club (annual gross revenues)	
\$2 million or less	6.0
\$2,000,001–\$3 million	10.5
\$3,000,001–\$5 million	19.2
\$5,000,001–\$10 million	42.5
> \$10 million	21.8
Total	100
Size of Club (number of members)	
< 250	4.7
251–500	35.2
501–750	24.7
751–1,000	16.8
1,001–2,000	11.5
> 2,000	7.1
Total	100
Profitability (F&B profit/F&B revenues)	
< –5%	39.0
–5% to 0%	12.7
0.1% to 5%	16.9
> 5%	31.4
Total	100

\$5 million in gross revenues. The majority of the clubs (42.5%) belonged in the \$5,000,001 to \$10 million category. Finally, the highest gross revenue group of more than \$10 million was at 21.8%, ranked second highest.

When the size of the clubs was measured by the number of members, the largest group were clubs with 251–500 members (35.2%). Ranked second largest were clubs with 501–750 members (24.7%). The mega clubs that have more than 2,000 members and the small clubs that have less than 250 members made up 7.1% and 4.7%, respectively (see Table 1).

Finally, since this research studied how cash was being managed in clubs, the profitability of these clubs was used as a demographic variable as well. Because most clubs are nonprofit in nature, it was not expected that the sample would report high profitability. For this study, profitability was calculated by dividing food and beverage profit over food and beverage sales. Thirty-nine percent of the clubs reported a loss of more than 5%, with

another 12.7% reporting a loss of 5% to break even. While these two groups made up more than 51.7%, this also meant that 48.3% of the respondents made a profit—16.9% of the respondents had a profit of 0.1%–5%, and another 31.4% reported a profit of more than 5%.

Cash budget: the details

It is established that cash is important in a business. However, is cash also important in the club business when members normally settle their charges by signing to their accounts? Table 2 presents the responses, beginning with whether the clubs had a formalized/written cash budget for the year. Indeed, 56.1% answered positively, while 43.9% said they did not have a budget. A series of questions were then posed to those individuals who had a formalized cash budget.

First, one would assume that the person responsible for preparing the cash budget should be the head of the accounting department. With the variation of titles in the club industry for this position, this can be the CFO, Director of Finance, Controllers, or others. Regardless, 70.5% of those who prepared a cash budget

Table 2. Cash Budgeting Practices.

Have a Written Formalized Cash Budget for the Year	Percentage
Yes	56.1
No	43.9
Total	100.0
Responsible Person Preparing the Cash Budget	
General Manager	17.5
Head of Accounting	70.6
Other	11.9
Total	100.0
Responsible Person Monitoring Daily Cash Level	
General Manager	7.7
Head of Accounting	87.7
Other	4.6
Total	100.0
Reason for Preparing a Cash Budget	
To monitor cash flow	54.3
To plan operations and acquisitions requiring cash	37.5
Board of Director requirement	1.9
Creditors requirement	1.3
Other	5.0
Total	100.0
Targeted Amount of Cash in Club's Checking Account	
<\$100,000	22.0
\$100,001–\$400,000	31.0
\$400,001–\$800,000	21.6
>\$800,000	25.4
Total	100.0

were the people in charge of accounting. It was interesting to see that 17.5% of the cash budgets were prepared by the GM. For the remaining 11.9% who selected “other” as their responses, the specific answers given included: both the GM and head of accounting/finance, the club treasurer, the club treasurer with input from the GM and controller, the COO, the COO and CFO, and the most comprehensive where the GM and controller drafted the cash budget, and then the cash budget was approved by the finance committee and the board.

Once the cash budget was set, it appeared that the accounting department was responsible for the day to day monitoring. When asked who would monitor the amount of cash for the club on a daily basis, the most prevalent answer was the head of the accounting department (87.7%), followed by the GM (7.7%) and other (4.6%). While the GM and the head of accounting were more common answers for the “other” category, other answers included all department managers receiving daily dashboard statistics on cash and other key performance indicators, to the accounts receivable clerk. One club indicated that it was a “no cash” club and thus there was no need for a cash budget.

For the 56.1% who had a formalized cash budget, obviously they saw the need for one. When asked why a cash budget was prepared for the club, 54.4% stated that it was for monitoring the flow of cash. The next highest response was for planning operations and acquisitions that require cash (37.5%). Although 3.2% simply stated that a cash budget was required by the board of directors (1.9%) and creditors (1.3%), 5% of the respondents offered other reasons, such as long-range plans, to grow reserves, and some combinations of the aforementioned reasons.

Finally, this study also noted how much the targeted cash amount was that clubs would keep in their cash account with their banks. Four categories were provided for selection. The first category of \$100,000 or less accumulated 22% of the respondents. The next category of \$100,001–\$400,000 was the most popular amount at 30.9%. The \$400,001–\$800,000 category came in as the least at 21.6%, while the more than \$800,000 category surprisingly came in second at 25.4%. The respondents also provided some qualitative

remarks to explain why the particular level was kept with the bank. A number of respondents mentioned that the level depended on one-month’s worth of expenses for the club. Others indicated a level such as 10%–25% of annual gross revenues. One said twice the amount of their monthly payables and payroll. Still others stated that the levels were contingent on the upcoming projects or taxes due. It was also very interesting to note that many indicated, regardless of the level, that they subscribed to the sweeping of accounts overnight for investment purposes.

Different strokes for different clubs?

In order to better comprehend whether the type of clubs, the size of clubs (as measured by revenues and by number of members), and the profitability of clubs (as measured by food and beverage profits) affect how clubs carried out their cash budget process, cross tabulations in the form of chi-square were performed with these four demographic characteristics on the following questions:

- (1) Does your club have a written/formalized cash budget?
- (2) Who prepares the cash budget?
- (3) Who monitors the amount of cash in your club on a daily basis?
- (4) Why is a cash budget prepared?
- (5) What is the targeted amount of cash in your club’s checking account at any time?

For these five aspects of comparison across the four demographic characteristics, statistically significant differences were found in the individual responsible for cash budgeting preparation, cash monitoring, and the targeted cash amounts. There were no statistically significant differences found in whether clubs had a formalized/written cash budget or why a cash budget was prepared. In other words, clubs of different types, sizes, and profitability levels agreed on these two aspects.

As seen in Table 3, the first statistically significant difference was found in the person responsible for preparing the cash budget, specifically for clubs that are different in size as measured by gross annual revenues ($\chi^2(8) = 24.799$, $p < 0.01$). In this case, clubs that have more revenues relied

Table 3. Differences in Budgetary Control Practices by Demographics.

Have a Written Formalized Cash Budget for the Year				
	<i>df</i>	<i>n</i>	Chi-square	<i>p</i>
Type of club	4	258	3.733	0.443
Size: revenues	4	285	7.942	0.094
Size: members	5	285	10.312	0.067
Profitability	3	280	1.484	0.686
Responsible Person Preparing the Cash Budget				
	<i>df</i>	<i>n</i>	Chi-square	<i>p</i>
Type of club	8	160	14.968	0.060
Size: revenues	8	160	24.799	0.002 **
Size: members	10	160	17.468	0.065
Profitability	6	157	10.211	0.116
Responsible Person Monitoring Daily Cash Level				
	<i>df</i>	<i>n</i>	Chi-square	<i>p</i>
Type of club	8	285	5.914	0.657
Size: revenues	8	285	32.210	0.000 **
Size: members	10	285	18.534	0.047
Profitability	6	280	8.739	0.189
Reason for Preparing a Cash Budget				
	<i>df</i>	<i>n</i>	Chi-square	<i>p</i>
Type of club	16	160	4.815	0.997
Size: revenues	16	160	17.816	0.335
Size: members	20	160	15.794	0.729
Profitability	12	157	6.500	0.889
	<i>df</i>	<i>n</i>	Chi-square	<i>p</i>
Type of club	12	236	16.544	0.168
Size: revenues	12	236	121.329	0.000 **
Size: members	15	236	72.609	0.000 **
Profitability	9	233	16.651	0.054

* $p < 0.05$; ** $p < 0.01$.

more on their accounting department heads to be the person preparing the cash budget. The second and third differences were noted in the person responsible for the daily monitoring of cash. For clubs of different sizes, as measured by revenues, the clubs that had higher gross revenues had their accounting department head as the point person ($\chi^2(8) = 32.210, p < 0.01$), while the clubs that were in the mid-range of \$3,000,001 to \$5 million had their GMs as the responsible party. For clubs of different sizes, as measured by the number of members, the smaller clubs with less than 500 members had their GM as the principal monitor of cash while the head of accounting as the cash monitor was fairly evenly distributed ($\chi^2(10) = 18.534, p < 0.05$).

Finally, two more statistically significant differences were found in the targeted amount of cash in the bank account of clubs when clubs were viewed by size, as measured via revenues and as measured via membership. When clubs were categorized by revenues, a significant interaction was found ($\chi^2(12) = 121.329, p < 0.01$), where clubs'

gross revenues and targeted cash seemed to increase in the same direction; that is, as revenues increased, so too did the amount of targeted cash. And, when clubs were categorized by the number of members, the significant interaction ($\chi^2(15) = 72.609, p < 0.01$) was due to two patterns. As clubs had more members, they tended to hold a higher cash target; equally as prevalent was the number of clubs in each membership category targeting more than \$800,000 in their bank accounts. This could be due to planning for capital improvements or long term projects.

Discussion

Because this is the first study in almost 20 years to document cash budgeting and management practices in clubs, this study offers a number of significant theoretical implications and useful managerial implications. In the last two decades, a number of changes happened in the club industry. The huge increase of Common Interest Realty Association (CIRA) clubs, especially in Florida, is one. The change of membership from more corporate-sponsored club membership to individual membership is another. Therefore, the results of this study fill a gap in the literature by providing needed information in the following areas.

Theoretical implications

A number of items can be added to the literature regarding club cash budgeting. First, the use of a formalized cash budget has increased. Although the percentage of clubs that have a formalized or written cash budget only increased more than 7% in the last 20 years (DeFranco & Schmidgall, 1997), this trend is positive. Yet, it can also be expanded. It is proven that a cash budget is an important management tool. Positive comments from clubs who have formalized cash budgets include a more accurate view of their cash level, better planning for capital expenditures, and growing their reserves. Thus, a cash budget is not simply good for a club for daily cash management; it is also very useful for long-term planning, projects, expansions, or renovation.

Second, the team approach to cash budget preparation is prevalent. The participatory style of

budget preparation with the GM leading the charge and having the head of accounting and other staff generate a cash budget showed that cash budgeting, or even other accounting practices, should be shared so that broad understanding of the goals of the clubs and buy-ins can be achieved. With more transparency in management, more trust will be built in the club. GMs, directors of finance, and controllers may also want to include other key individuals in this process as well. Although some clubs did mention having their treasurer as part of the cash budget team, perhaps involving the department heads, just as clubs have when preparing a regular budget (Oak & Schmidgall, 2009) will also be useful. Kim, Cha, Cichy, Kim, and Tkach (2012) also found that board members' participation in setting strategies has a positive effect on a private club's financial performance. Thus, if this involvement can be extended to the cash budgeting process, it may also be beneficial.

Third, not all clubs operate the same, and one size does not fit all. Clubs differ in the following five specific areas in their cash budgeting practices: (1) the individual responsible for cash budgeting preparation by the size of clubs as measured by revenues, (2) the individual responsible for cash monitoring by the size of clubs as measured by revenues, (3) the individual responsible for cash monitoring by the size of clubs as measured by number of members, (4) the targeted cash amounts by size of clubs as measured by revenues, and (5) the targeted cash amounts by size of clubs as measured by number of members. Clubs of different sizes require different management styles so as to stay true to the mission of the specific club and also to best serve its members. Although these differences should be respected, there may also be invaluable lessons that can be shared and learned. Therefore, to the extent of these new findings, this study advances the body of knowledge in club cash budgeting practices.

Managerial implications

This study also offers a number of practical managerial contributions. As mentioned, cash is king. Even if a club operates on a noncash basis with its members via billing only, it still needs to manage

its cash with its vendors. Therefore, a number of cash management recommendations are presented.

First, a cash budget is a must. Human intuition frequently links "budgets" with "constraints," and thus the word *budget* is often viewed negatively. However, this is far from the truth. Budgetary controls are indeed good for a club, if they are taken on positively. A cash budget is not only a road map to conserving and monitoring the most liquid and most fraud-prone asset: cash. It is also a road map for a club to plan for future renovations, expansions, and other capital projects, all to serve its members. Turner and Guilding (2013) discuss the difficulty in the management of FF&E reserves, both the deposit and the release for use. In this case, even when the cash is available, the release of such funds is a source of potential significant tension between hotel owners and operators. While their study is about the hotel industry, clubs are managed by the staff but decisions are made by the board. Therefore, a cash budget, agreed to in advance, will not only serve as a solid management blueprint, but with prior agreement between parties, conflicts can be reduced or even eliminated.

Second, club managers and their board need to set appropriate tolerance levels for their cash budgets. Just as one would set tolerance levels for a regular operating budget, reasonable variance tolerance levels are also needed in a cash budget, because it is the operation schematic for the club. Oak and Schmidgall (2009) explore and document the budgetary control changes in the club industry for three decades, including variance tolerance levels in food cost, labor cost, and beverage costs. This same discipline can be applied to the cash account and the cash budget line items as well. On the positive side, management compensation or bonuses can also be linked to the cash budget to provide incentives.

Third, clubs may want to use proof of cash (Born, 1988b) rather than a simple bank reconciliation, as has been advocated for a long time. Many may equate proof of cash with a bank reconciliation, but it is a lot more than that. It is carrying over each line item in a bank reconciliation from one period to the next with adding to and deducting from the beginning balance of

that item the cash receipts and cash disbursements of a particular accounting period to derive the ending balance of that item. With such details of receipts and disbursements, irregularities and fraudulent practices can be easily monitored. Fraud occurs when opportunity, rationalization, and pressure intersect. Donald Cressey first shared this theory in the 1950s (Daniel, Ellis, & Gupta, 2013), and it holds true today.

Fourth, use simple technology to enhance cash budgeting and management in clubs. It is wonderful if a club has the sophisticated technology that can pull information and compile reports for management from the systems that the club uses. However, if not, various simple systems are available. The simple adage of KISS (keep it simple and sweet) is a good mantra for technology. From Excel to Access, software that come with the Microsoft Office Suite, there are tools that can assist club management in compiling cash budgets and cash reports. Stephenson and Porter (2010) create and share an Excel-based version for cash budgeting for cash flow, and Cox (2014) takes that a step further with Access, and compiles a master budget. Do not let the lack of sophisticated technology deter your efforts in establishing and using a cash budget.

Limitations and future research

Any research can be improved, and this study is no exception. The surveys were sent to club managers in the United States, and therefore the results cannot be generalized to other parts of the world or to other hospitality industries, such as hotels or restaurants. Although the total response of 409 was a respectable number, this only translated to a 17% response rate. As seen from the results, only 56.1% of the respondents had a cash budget. While there was a 7.1% increase in cash budget preparation from the results in a 1986 report (Schmidgall, 1986), perhaps a qualitative study would shed more light on how cash is being managed in the club industry on a daily basis. Additional questions of how clubs are minimizing their cash flow collection time and maximizing their cash payment schedule, or how they are employing technology in their cash flow collections, such as

Internet billing and direct deposits, can also help in understanding the cash management process.

Disclosure statement

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