Financing Renovations in the Club Industry

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Abstract

Investment and financing aspects of club houses remains understudied in hospitality literature. Clubs, while most are nonprofit organizations, operate under similar principles as do investor-owned organizations. To maximize social benefits for their 'owners' clubs must undertake investments effectively to ensure provision of quality products and services. This paper analyzes renovation investments in club houses using a combination of continuous and discrete regression processes. Key findings suggest that renovation expenses of the sample were influenced more by the amount of secure and unsecured loan than by the equity financing of such investments. Renovation investments were also associated with higher sales turnover and with a smaller link to return on assets. The size of club membership was found to be the predominant characteristics associated with the size of renovation expenses.

Key words: Club industry, renovations, investment, financing

Introduction

The purpose of this paper is to analyze the investment and financing in club houses for the purposes of renovation and to assess the impact of renovation on clubs' financial performance. Renovations are a critical investment decision that hospitality organizations take to ensure product and service quality for its customers, such as members of the club house. Organizations usually access financing based on the law of least effort and resistance, starting with internal funds and eventually leading to raising external equity (Meyers, 1984). Nonprofit organizations like clubs have a key restriction in this context: they are unable to access equity markets due to their nonprofit status. Furthermore, 'members/owners' closely monitor management actions. The only way surpluses can be utilized is through reinvestments. A recent study reported by Schmidgall (2002) remains one of the few attempts to capture the corporate financing dynamics of these organizations under such peculiar organizational settings. In this paper the authors build on past literature to understand the relationship between renovation investment expenditure, sources of financing, and club house performance. Using novel methods such as the ordinal regression this paper also evaluates club house characteristics that were most associated with investments in renovation. In particular, this paper investigates whether there is a relationship between renovation investments and financing sources. In view of the current gap in the understanding of club house investments and financing decisions this paper is timely and adds to the ongoing discussions in corporate finance.

Literature review

Clubs are typically nonprofit organizations but rather unique in their ability to confine use of facilities and services to members only, restricting public admission (Sherry, 1980). In the United States, most clubs are owned by some or all of the members and managed by personnel hired by board of directors of the club (Singerling et al., 1997).

Research in the club industry remains limited to few studies conducted to understand the nuances of these organizations. For a more detailed survey of club industry literature see Barrows (1994). As mentioned earlier, Schmidgall (2002) investigated the investment and financing aspects of renovations in the club industry and found high variations in investment amounts and types of renovations undertaken. The study also found that cash reserves in these organizations were high and that the most popular financing approaches for renovations were loans and capital assessments. Schmidgall and DeFranco (2004) investigated the use of ratio analysis in the club industry to see what types of financial analyses are being conducted by club managers. The study found that amongst the most used ratios for financial analysis were cost of food sold percentage, current ratio, and debt-equity ratio. Except for few such investigations, much of the other past research in club industry has focused on operational aspects related to membership surveys, marketing, managerial style and development concerns (Singerling et al., 1997). Cichy and Schmidgall (1996) studied leadership qualities of financial executives in the US private clubs. Other then these early attempts, financial aspects of club industry remain scantly studied.

The lack of research in financial aspects of club industry presents a critical gap in the hospitality literature. Even though clubs are not for profit organizations, many go bankrupt each year and other new ones are formed (Singerling et al., 1997). The top three success factors of clubs indentified by general managers of these organizations in the United States related to the attainment of club's goals towards its members, in the provision of various products and services (Singerling et al., 1997). While the importance of operating a club like a business appeared as one of the other top success factors, the need for financial success was not as critical. This goes to show that even though clubs will not maximize profitability for the individual monetary benefit of members, they must be able to reinvest surpluses to maximize benefit for the membership as a whole. In other words, continuous investment in facilities ensure membership satisfaction is critical to the success of these organizations. There is limited understanding regarding what types of investment projects do clubs undertake and for what purposes, how do they prioritize these investments, and most critically, how do they finance these investment projects.

For better or worse, research in hospitality has traditionally followed issues raised in generic and mainstream fields of study like economics, sociology, and psychology. Nonprofit sector research in mainstream literature remains relatively feeble (Bowman, 2002). This may be one reason why hospitality researchers have focused less on the nonprofit dimensions, for instance the club industry. However in the recent past the nonprofit sector activity has continued to increase in the global economy. As a consequence, academicians are increasingly paying attention to the nonprofit sector.

The term 'nonprofit' itself has little consistency for representing an organization and it is usually highly culture-bound, contingent on national legal and fiscal laws (Anheier, 1995). Financial aspects of nonprofit sector that appears to have been most studied are hospitals. Many of these studies have focused on investment related issues, including capital structure, cost of capital, or investment decisions in general. Newhouse (1970) developed a general economic model of nonprofit organizations suggesting that there is a possibility of misallocation of resources due to the nonprofit and voluntary status of these organizations. Other key studies focused on the non-profit sector include the following: the impact of cost-based reimbursements on capital structure

and capital payment policy (Wedig et. al, 1988); investment decisions and cost of capital (Wedig et al 1989); role of tax-exempt debt on hospital capital structure (Wedig et al, 1996); cost-based reimbursements in hospitals and its impact on capital structure (Ligon, 1997); managerial incentives and their impact on financial performance of hospitals (Brickley et al, 2002); and relationship of debt, investments and endowments in hospitals (Gentry, 2002).

Financing of investment remains an important issue for (charitable and non-charitable) nonprofit organizations because of their uniqueness compared to investor-owned organizations (Bowman, 2002). Charitable non-profit organizations are unique in the following aspects: 1) do not have owners, 2) still their donors have the power to place restrictions on how donated assets can be used, 3) are not subject to involuntary bankruptcy, and 4) can sell bonds at tax exempt rates (Bowman, 2002). Absence of owners and implied non-distribution constaints encourages such organizations to attract voluntary contributions (Hansmann, 1980). These contributions can be cautiously viewed analogues to stock issuances, donors as owners, and donations can be treated as earnings (Wedig, 1994; Bowman, 2002). While clubs are not charitable organizations they still fall in the non-profit category and do not raise private equity through the market. The members' primary purpose is not to make profit but to derive a certain social utility out of their membership fees. Therefore the concept of return on invested capital or assets applies more in a social context for clubs than in investor-owned organizations. It is therefore of interest to further understand the financing aspects of investments in club houses. This paper focuses on renovations as particular type of investment decision.

As stated earlier, due to the transaction costs, organizations would typically use internal sources of capital before accessing external capital. However, given the lack of focus on financial performance it is not clear whether this would hold true for clubs. Characterizing club house investments would be of interest to understand how other factors may influence such investment expenditures. It is also unclear how investments in such projects as renovations would impact financial performance given that such objectives are not a priority for clubs.

Research Questions

In view of the current gap in understanding the investment aspects of clubs, following were the research questions of this paper focusing on renovation as a particular investment decision:

1. What is the impact of internal versus external source of financing on renovation expenditures?
2. What is the impact of club characteristics on the amount of renovation expenditures?
3. How does the amount of renovation expenditure influence club performance?

The Questionnaire

The mail questionnaire consisted of two major parts namely, general information and clubhouse data. The general information included questions covering position title of respondents, type of club, size of club, profitability of the respondents club, cash and cash equivalents of each club and cash restricted for capital projects of each club. The clubhouse data questions included age of the clubhouse, cost of most recent clubhouse renovation, and methods and corresponding amounts of financing. The most common methods listed were membership dues, capital

assessments, loans, capital reserves, initiation fees, combinations of the common methods and other methods.

The Sample

A mail questionnaire was sent to 500 members of the Hospitality Financial & Technology Professionals (HFTP) associated with the club industry. Usable responses were received from 70 executives resulting in a response rate of nearly 14 percent. The titles of the vast majority of respondents (80 percent) were controllers while 6 percent identified themselves as CFOs. The remaining 14 percent of the respondents held other positions in their clubs such as assistant controller, general manager, and treasurer. The vast majority of respondents (69 percent) were associated with country clubs, while 21.2 percent identified with golf clubs and 10 percent with other clubs such as country and golf clubs. The membership and annual revenues of clubs of respondents varied as shown in Exhibit 1 from less than 250 members to over 2000 members, and from less than $1 million in annual revenue to over $10 million. The age of clubhouses of respondents ranged from less than five years (14 percent) to over fifty years (34 percent). The median age was 35 years.

Methodology

For the purposes of this paper renovation investment is defined as the dollars invested in existing clubhouses of clubs to restore the physical facilities. The cost to renovate golf courses, tennis courts, and other athletic facilities are <u>not</u> covered by this study.

The analysis of respondent data involved the use of ordinary least square (OLS) and ordinal regressions. OLS regression is recommended when variables of interest are measured on a ratio or interval scale. On the other hand discrete processes such as the ordinal regression are recommended for categorical variables.

For the OLS regression models, the variables of interest were as follows:

Sales turnover = Total food & beverage sales of the club house divided by cash and cash equivalents used as proxies for total assets (from here on TA).
Return on assets = Net income divided by TA.
Renovate = Total renovation expense divided by TA.
Internalinvest = Internal financing used for renovation expense divided by TA. Internal sources include membership dues, capital assessment, capital reserves, and initiation fees.
Loantoassets = Total loan amount (including secure and unsecure loans) divided by TA.
Securetoassets = Secure loan only divided by TA.
Unsecuretoassets = Unsecure loans only divided by TA.
Repaymentyears = Number of years for the repayment of secure loans.
Loaninterestrate = Interest rate of secure loans.

Cash and cash equivalents were used as a proxy for total assets simply because total asset numbers were not available. Future research needs to obtain a total asset number rather than use a surrogate.

Descriptive statistics of these variables are presented in Table I. The correlation matrix for these variables is presented in Table II. As some of these variables had a relatively higher correlation there appeared to be a concern of multicollinearity. As a consequence variable inflation factor (VIF) were analyzed to ensure that they did not exceed the recommended limit of 5.0 (Upneja & Dalbor, 2001). OLS regression was used to analyze 4 models. Results of each of these are presented in Table III. The first two models analyzed whether internal financing was more significant than loans, and whether the term of loans had any effect on renovation expense. Models 3 and 4 evaluated the impact of renovation on club houses' financial performance as measured by return on assets and sales turnover.

Ordinal regression was analyzed using SPSS 16.0 version. Within this framework the underlying variables of interest were cost of renovation, type of club, size of revenues, size of membership, and age of club. All these variables were measured on a categorical scale. The categories for each of these are presented in Table V. There are significant differences between the use of ordinal and OLS regression methods, and the interpretation of results. In ordinal regression the underlying assumptions are minimal. The following assumptions are associated with ordinal regression (Ishii-Kuntz, 1994; SPSS, 2008):

- Variables must be measured on ordered categories. Table V shows that all the underlying variables used in this analysis were measured on ordered categorical scales.
- The logit link function that defines the underlying model must be carefully selected. The logit function can be selected by visually assessing the dependent variable's distribution. The dependent variable in this analysis was the cost of renovation. Graphic analysis of this variable showed that most data was clustered in lower level categories. In such a situation it is recommended that a negative Log-log logit function is selected (SPSS, 2008).
- The test for parallel lines is conducted to ensure that the relationship between the independent variable and all the categories of the dependent variable are the same. This assumption was tested and verified for all the models.
- Finally, the data must fit the model. This assumption is tested by evaluating the goodness-of-fit statistic. In ordinal regression the significance level of this statistic must be high for the model to be a good fit. All regression models met this criterion.

Once the regression parameters were obtained, these were used to predict the cumulative conditional probabilities of responses falling under the various categories of the dependent variable. These probabilities were estimated using the following function (Ishii-Kuntz, 1994; SPSS, 2008):

$$\text{prob(event } j) = 1 / (1 + e^{-(\alpha j - \beta x)}).$$

These conditional probabilities are presented in Table V.

Research Results

Overview

Fifty-one club executives of the 70 respondents indicated that their clubs have recently undertaken a club renovation. The cost of these club renovations varied from under $250,000 to

$36 million. The median clubhouse renovation expenditure was $2,310,000. Specific clubhouse renovation projects the respondents revealed included renovation of their club's locker room, ballroom, tennis facility, pro shop, pool, lounge, kitchen, offices, and the building.

Financing by these clubs for their clubhouse renovation projects included using membership dues, capital assessments, loans, using capital reserves, initiation fees, and combinations of the aforementioned methods. Exhibit 2 reveals the use of these methods. Clearly, no method was used to the exclusion of others.

Just over half (51%) of the renovation projects were financed using a single financing method. The three most popular were capital assessments (14%), bank loans (13), and use of capital reserves (96). Nearly half of the projects (49%) were financed by clubs using a combination of financing methods. For example, three respondents indicated their clubs used a combination of capital assessments and bank loans. Two other respondents indicated that capital assessments, loans, capital reserves and initiation fees were used.

Exhibit 2 also shows the various methods used either singly or as part of a combination of financing methods. Both bank loans and capital assessments were used by 52% of the clubs to finance their clubhouse renovations. The next two most popular financing methods were initiation fees and capital reserves used by 31% and 27% of the clubs, respectively. The other four methods shown were used by 5% or less of the clubs financing their renovations.

Respondents were queried regarding each method of financing. The average cost of renovation projects financed using dues was $1,256,000 while the largest project so financed cost $13,680,000 million. On the average, these clubs increased their dues by 5 percent in order to raise funds for these projects and the largest increase in dues by a club was 6 percent.

As shown in Table 2, 52 percent of the respondents' clubs used capital assessments to finance their clubhouse renovations. The median amount financed by capital assessments was $1,942,500 while the largest project used $10 million of capital assessments. The average amount of assessment per member was $3,200, while the largest capital assessment by a club was $34,000 per member.

Loans were used to finance projects by 52 percent of the clubs who have recently renovated all or part of their clubhouses. The median amount borrowed was $3,787,654 while the largest amount borrowed to finance the renovation project by a club totaled $20 million. The length of these loans varied from five to 30 years. The most common terms were 10 years used by 43, percent of the respondents' clubs.

The annual interest rate of these loans ranged from 1 percent to 8 percent. The median interest rate was 5.9 percent. Though several clubs used borrowed funds to completely finance their clubhouse renovation, loans constituted as little as 30 percent of the financing of one club's renovation. The average percentage of financing using loans was 61.5 percent.

Capital reserves were used by one of every three clubs to finance their renovation projects. The range of funds used from capital reserves was $10,000 to $6 million. The average amount was $961,000.

The final major method used to finance clubhouse renovations was initiation fees. Just over one in four clubs (27%) renovating their facilities used this method generally in combination with other methods. The total amount of initiation fees used for financing these projects ranged from $23,000 to 6 million. The median amount used was $1,937,500 or nearly 2 million. The average amount on initiation fees per member ranged from $1,639 to $75,000. The median amount was $20,000.

Internal versus external financing

Table I shows descriptive statistics of the analyzed variables. Noteworthy is the average net income to current assets. The average of this ratio in the sample is very low and the minimum is negative. Table II presents the correlation matrix amongst the ratio variables. Some of these correlation coefficients were found to be higher than average. As a consequence the variance inflation factor (VIF) was also analyzed to ensure that multicollinearity does not impact the regression results. VIF verification is presented in Table III along with the rest of the OLS regression results.

Table III presents results of the three OLS regression models. The first model used total renovation expense as the dependent variable. The adjusted R-square, as expected, was extremely high. Of higher interest was the loading of each variable and their signs. As can be seen, secure loan coefficient had the highest loading followed by unsecure loan. Internal sources of financing had the smallest loading of these three. The second regression model had total renovation expense as the dependent variable and the two variables characterizing loans as the independents – years of repayment and interest rate. As expected, the longer repayment loans were correlated to higher renovation expenses. In general, the sign of the interest rate variable could have been negative but the results did not suggest this as likely. These results suggest that higher amount of secure loans and the longer number of repayment years were associated with higher renovation expenses. Internal financing was less associated with renovation expenses than both secure and unsecure loans. And finally, loan interest rate was positively related to the total renovation expense.

Renovation and club house performance

OLS regression model 3 and 4 assessed the impact of renovation on club house performance. Return on assets (ROA) and food & beverage sales turnover respectively were the dependent variables. The impact of renovation on ROA was not found to be significant and the adjusted R-square was also of relatively low magnitude. On the other hand the positive impact of renovation expenses on food & beverage sales turnover was significant and of a considerable magnitude. The adjusted R-square was also high at 0.39. As mentioned earlier, VIF scores were analyzed for all the four regression models. The results are marked in Table III. The VIF scores did not suggest the earlier suspected multicollinearity was of concern in the results. Put together, these results suggest that while higher renovation expenses in club houses was not significantly related to ROA it was significantly associated with higher food & beverage sales turnover.

Factors influencing renovation expenses

Table IV presents the results of ordinal regression models. In all 5 regression models were analyzed. All of these had cost of renovation as the dependent variable. The independent included variables characterizing club houses – type of club, size of revenues, size of membership, and age of club. Within the ordinal regression framework certain statistical results are differently interpreted than OLS regression results. For instance, the higher the significance level of the 'goodness-of-fit' statistics the better it fits the model. Therefore, within the four models the second ordinal regression model (size of revenues) had the least perfect fit on the sample data. Model 3 (size of membership) had the best possible fit, with an almost 100% certainty. The pseudo R-square represented by Cox & Snell coefficient is similar to the OLS regression statistic. In this case too model 3 analyses had the most explanatory power through the independent variables. These results suggest that size of membership was the best possible characterizing variable for the renovation expense in club houses for this given sample. The last model 5 included all independent variables. While it showed the weakest fit to the sample data, results were consistent with those of the other 4 models. Model 5 results also showed that size of membership was most important in characterizing the renovation expense (dependent variable).

In Table V parameter coefficients from the ordinal regression models 1-4 were used to come up with cumulative functional probabilities of the dependent variable categories. In other words, the probabilities showed likelihood of the sample to respond to the dependent variable categories depending upon how they were characterized by the respective independent variable categories. For instance, there was a 41% probability that 'Country' clubs had a renovation expense of no more than $1 million dollars. These probability estimates were consistent with the preliminary analysis of each of the models in Table IV. That is, size of membership as a characterizing variable performed most effectively in explaining the size of the renovation expense. This was also true for one category of size of revenues and age of club.

Probability estimates presented in Table V suggest that there was an almost certain likelihood (100% probability) that smaller club houses of less than 250 members in this sample spent less than $1 million on their renovation expenses. Similarly, there was an almost 53% probability that club houses with over 1000 members spent over $5 million on their renovation expenses. Other probability estimates also clearly suggest that as the size of the club house membership increased in this sample their probability of spending higher amounts on renovation also increased. Club houses with size of revenues in the $3-5 million range had a 72% probability of spending less than $1 million on renovations. Interestingly the renovation expenses of this category of club houses fell between those of lower and higher revenues. It may suggest a certain threshold beyond which size of revenues may not be a good predictor of renovation expenses. Also, age of club within 11-25 years had a 59% probability of spending less than $1 million on their renovations. Again, the renovation expense of this category of club houses was also higher than those younger and lower than those older. Similar to the size of revenues, age may also suggest a certain threshold to characterize renovation expenses.

Other probability estimates, while not statistically significant were of interest. For instance, 'Golf' clubs were least likely to spend over $5 million than 'Country' or 'Others.' Those over 50 years old were most likely to spend over $5 million on renovations. However, these clubs were most likely to also fall in the lowest renovation expense category.

Comparisons with the Past

Five years ago Schmidgall (2002) reported how clubs in the prior decade had financed their clubhouse renovations. Exhibit 3 reveals the comparison of financing renovations in the 1990's to this study including the range and mean cost of the renovation projects and the methods of financing.

The comparison reveals the following:

- The range of the costs of the renovation projects is much greater in the current decade than in the 1990s.
- The median cost was $750,000 as shown in the earlier research compared to $2,310,000 in this study.
- A much larger percentage of clubs are using a combination of financing methods today compared to using a single financing method during the prior decade. This most likely is due to the increased cost of renovations.
- Capital reserves, as single financing methods, are used less frequently than in the past.

Availability of Cash

As part of the research, we were interested in the amount of cash these clubs had available. Though initially all clubs have cash to pay their bills as they come due, many clubs have excess cash invested for short periods of time in certificates of deposit, money market accounts, treasury bills, and other financial instruments. In addition, some clubs also restrict part of their cash for capital projects.

Specifically, club executives were asked the amounts of cash on hand (including cash equivalents) and the amount of cash restricted for capital projects. Table VI reveals the amounts of cash and cash equivalents and cash restricted for capital projects. Cash equivalents were defined as short-term investments, with maturity dates generally of less than 90 days that are readily convertible to cash.

The amount of cash and cash equivalents held by clubs of 67 respondents ranged from only $10,500 to $12.4 million. The average (median) was $737,000.

Forty-two respondents revealed that their clubs restricted part of their cash for capital projects. The restricted amounts ranged from only $3,849 to $7.1 million while the median amount of restricted cash was $396,950.

Conclusions, Limitation, and Future Research

This study reveals how clubs have recently financed the renovations of their clubhouses. Further, comparisons were made with similar research of the last decade of the prior century and differences were noted for range and medians of the cost of renovations the past two decades. Further, comparisons of the methods of financing were clearly shown, and it is noteworthy that during the first decade of the 21st century a majority of clubs used a combination of financing methods compared to only 19% of the clubs in the 1990s.

The lack of links between renovation and return on assets, however, were consistent with clubs' lack of necessary focus on financial performance. Similarly, the stronger links with sales

turnover further emphasize the membership focus. This focus on membership is consistent with previous research findings. This focus on membership does seem to be consistent in order to ensure quality of products and services and satisfied members. On a similar note, size of membership as the most significant characterizing variable of renovation expenses further strengthen the consistency of this study's results with previous research. However, the size of revenues and age of the club houses can be further analyzed in future research to assess how they impact investment patterns and financing options.

Still, reporting of financial information of clubs remains a challenge. Analysis in this study was restricted by the availability of financial information due to the private nature of financial reporting in clubs. Response rate also remains a challenge. In the future research could focus on case studies that may explore such analysis with depth and with greater access to financial information.

Preliminary results from this study suggest that clubs in this sample predominantly relied on external financing to renovate their facilities. Could this increased dependence on secured and unsecured loans increase the risks of bankruptcy for these clubs? Therefore linking investment financing and bankruptcy risks could also be an interesting area for future research, especially given the high rate of club bankruptcies in the United States.

Cash and cash equivalents were used as a surrogate for total assets in this research project simply because total assets of each respondents' clubs were not available. Future research should secure a total asset amount rather than use a surrogate.

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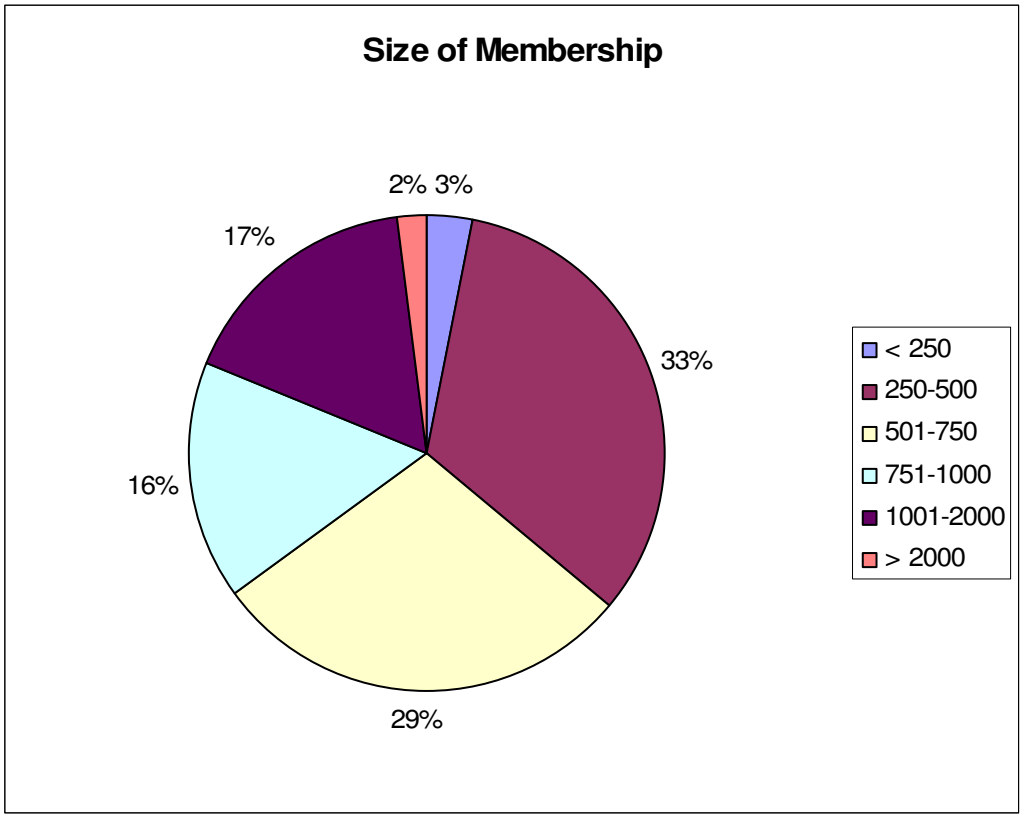
Exhibit 1
Size of Clubs: Membership and Annual Revenue



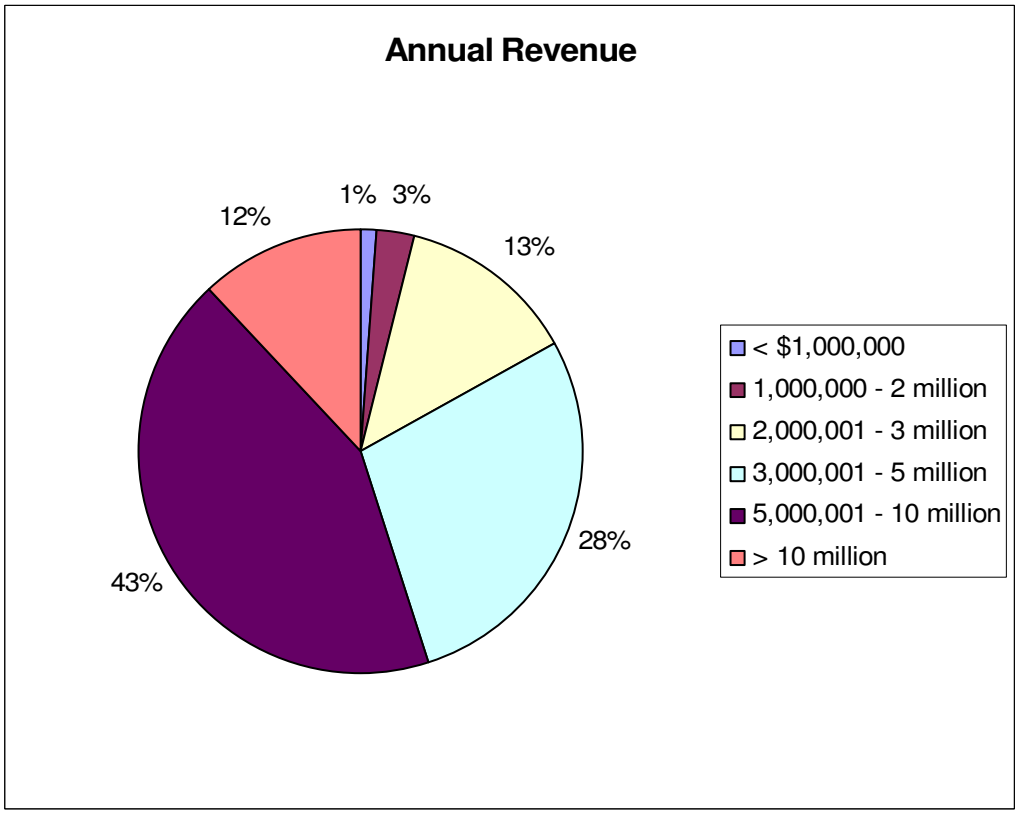


Exhibit 2
Methods of Financing Renovations

	Single Method	Methods Including Combinations
Dues	2%	5%
Bank loans	13	52
Capital assessments	14	52
Initiation fees	5	31
Capital reserves	2	27
Operations	4	4
Sold existing property	2	2
Owner (developed owned club)	2	2
Subtotal	44	
Combinations	56	
	100%	

Exhibit 3
Comparison of Financing: Past and Current

	1990's	2000's
Cost of Projects:		
Range	< $250,000 to 5 million	> $250,000 to 36 million
Median	$750,000	$2,310,000
Methods of Financing:		
Dues	10%	2%
Capital assessments	18	14
Loans	17	13
Capital reserves	20	2
Combinations	19	56
Other	16	13
Total	100%	100%

Table I. Descriptive statistics for the entire sample

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Sales turnover	67	0.25	92.20	7.66	15.15
Return on assets	66	-13.05	11.75	0.12	2.33
Renovate	68	0.00	284.13	12.36	38.25
Internalinvest	68	0.00	59.57	4.35	9.80
Loantoassets	68	0.00	170.48	9.45	25.45
Securetoassets	25	0.00	7.12	0.83	1.84
Unsecuretoassets	24	0.00	3.79	0.30	0.86
Repaymentyears	35	0.00	30.00	9.80	7.49
Loaninterestrate	34	0.00	8.00	3.53	2.92

Table II. Correlation matrix of OLS regression variables

	Loan interest rate	Repayment years	Unsecure to assets	Secure to assets	Loan to assets	Internal invest	Renovate	Return on assets
Sales turnover	0.28	0.10	-0.06	0.90	0.89	-0.04	0.83	-0.95
Return on assets	-0.17	-0.06	0.10	-0.87	-0.84	0.10	-0.80	
Renovate	0.55	0.51	0.14	0.94	0.98	0.28		
Internal to assets	0.32	0.60	-0.11	0.17	0.17			
Loan to assets	0.56	0.44	0.13	0.96				
Secure to assets	0.48	0.31	-0.15					
Unsecure to assets	0.23	0.42						
Repayment years	0.69							

Table III. Ordinary least square regression results

OLS regression model	1	2	3	4	5
Dependent variable	Renovate	Renovate	Return on assets	Sales turnover	Renovate
Intercept	-1.01	1.28	0.22	4.55***	1.24
Renovate			-0.13†	0.63***†	
Internaltoassets	0.30***†				
Securetoassets	0.81***†				0.373*†
Unsecuretoassets	0.21***†				0.449**†
Repaymentyears		0.32†			0.594**†
Loaninterestrate		0.15†			-0.522**†
F	288.00***	3.33**	1.09	42.83***	4.900***
Adj.R2	0.98	0.13	0.002	0.39	0.426

All are standardized coefficients.

***p<0.001; **p<0.05; *p<0.10
†VIF<5.0

Table IV. Ordinal regression results

Ordinal regression model	1	2	3	4	5
Dependent variable	Cost of Renovation	Cost of Renovation	Cost of Renovation	Cost of Renovation	Cost of Renovation
Independent variable(s)	Type of club	Size of revenues	Size of membership	Age of club	Type of club Size of revenues Size of membership Age of club
Goodness-of-fit (Significance level)					
Pearson	0.97	0.73	1.00	0.97	0.309
Deviance	0.97	0.56	1.00	0.92	0.979
Chi-Square	3.39	13.23***	16.86***	6.87	38.628***
Psuedo Adj.R2 (Cox & Snell)	0.06	0.21	0.26	0.12	0.50

***p<0.001; **p<0.05; *p<0.10

Table VI. Cash and Cash Reserves

	Cash and Cash Equivalents (n = 67)	Restricted Cash (n = 42)
< $100,000	15%	23%
100,000 – 250,000	13	14
250,001 – 500,000	12	17
500,001 – 1,000,000	16	17
1,000,001 – 2,000,000	20	17
2,000,001 – 3,000,000	9	7
> 3,000,000	15	5
Total	100%	100%
range:	$10,500 to $12.4 million	$3,849 to $7.1 million
median	$737,000	$396,950

Table V. Ordinal regression - probability of 'response'

		Cost of Renovation			
		Up to $1 million	$1-3 million	$3-5 million	>$5 million
Type of Club	Country	41%	22%	9%	28%
	Golf	59%	19%	6%	16%
	Other	36%	22%	9%	33%
Size of Revenues	Up to $3 million	48%	23%	8%	21%
	$3-5 million**	72%	15%	4%	9%
	Over $5 million	34%	24%	10%	33%
Size of Membership	<250***	100%	0%	0%	0%
	250-500***	51%	25%	7%	17%
	501-750***	51%	25%	7%	17%
	751-1000*	32%	27%	11%	31%
	Over 1000***	16%	20%	11%	53%
Age of Club	<10 years	45%	23%	8%	23%
	11-25 years**	59%	20%	6%	15%
	26-35 years	47%	23%	8%	22%
	36-50 years	51%	22%	7%	19%
	>50 years	31%	23%	10%	35%

***p<0.001; **p<0.05; *p<0.10