

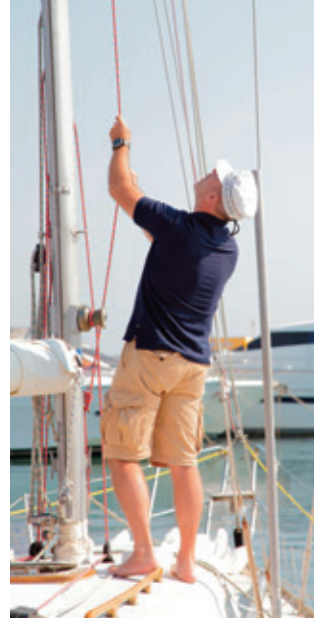
CLUBS

IN TOWN & COUNTRY



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CLUBS IN TOWN & COUNTRY is a statistical review incorporating operating and financial data on private clubs. Data for year ending in 2017 was submitted by approximately 800 clubs. To participate in the 2018 survey, please contact Kevin Reilly at kreilly@pbmares.com.

We were pleased to tie in with Club Benchmarking (www.clubbenchmarking.com) again this year to produce our statistics. Their platform makes it easier to input the information and the results are easier to generate. We hope to continue our partnership and be able to develop even more valuable information for clubs.

This publication is designed as a reference and management or operational aid for private clubs. It should not be construed as setting standards on policies or actions for any private club or their professional managers. Readers are advised that PBMares does not represent the data contained herein to be definitive or all-inclusive. PBMares believes the information to be reliable, but is not responsible for errors in expenditure figures or in other reported source information.



Accountants &
business advisers

June 2018

To PKF Clients and Friends:

We are happy to continue our support of *Clubs in Town & Country* now in its 64th year. This is the oldest and we believe the best benchmarking tool in the Club industry.

The numbers show that the Club industry is back on firm ground. That is not to say that its time to relax. There are still many of the same challenges facing club management and directors. They include membership engagement, governance and compliance issues and now there is pressure on employee compensation as well as employee retention. Staying up-to-date on the industry trends will help prepare for these and other problems.

We are privileged to serve the Club industry. Let us put our experience to work for you. We are always available to respond to your inquiries.

Sincerely,

Edward C. Nickles III, CPA
Managing Director

Amanda C. Wolfe, CPA
Senior Manager

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This 63rd edition of **CLUBS IN TOWN & COUNTRY** incorporates operating results from private clubs from across the United States & Canada. We hope that club managers and officers find **CLUBS IN TOWN & COUNTRY** to be the useful analytical tool it was designed to be.

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TRENDS IN CLUB MEMBERSHIP

For clubs, 2017 was a banner year. Many clubs turned the corner in 2015 and membership has continued to grow, although slowly, for the last two years. While recovery among the exclusive clubs (A level clubs) remains strong, there are still too many clubs in some areas, which weakens demand in those locations. Clubs are addressing a changing demographic and the innovative ones are doing that successfully. The trend of more clubs closing than opening began in 2006. With just moderate growth expected for the economy and the overbuilding of facilities in the 90s, this trend will continue.

The picture of the club industry continues to evolve. From an industry dominated by member owned private clubs, many more participants are involved now. These range from member owned clubs to developers to businesses such as Top Golf. While Top Golf is not a club, it is competition for the entertainment dollar. In fact, many clubs are incorporating that type of entertainment into the club, as well as bringing the golf more indoors. Even seasonal clubs are trying to increase the facilities that can be used year-round. Several new players have surfaced in the last few years and they are changing the concept behind a club as well as how clubs view themselves.

As previously stated, the demographics are changing as well. Millennials now represent the largest age group in the United States and many of them have not demonstrated the same interest in joining a club. Millennials get married later, have substantial debt (mainly student loans) and are buying houses later. Finally, there seems to be a resurgence in moving to urban areas which generally does not lend itself to country club membership. However, the successful clubs do reach this group by offering more than a club, but rather a lifestyle.

As stated, the economy is improving and unemployment is the lowest in years. In fact, one of the biggest concerns for the industry is finding and keeping good employees, particularly in urban areas. Prospective and even existing members debate on whether they should spend the funds to join or to remain a member at a club. While clubs have done a great job on controlling expenses, it continues to be an issue of revenue. Even with the Republicans controlling both houses of Congress and the Presidency, the difficulty of achieving compromise on economic issues in Washington continues. And while the stock market is substantially higher than a few years ago, the wild fluctuations still give potential members pause.

Our survey of overall club membership for country clubs continues to show a stagnant membership base. The membership in country clubs stayed relatively consistent



during 2017, increasing by 0.6 percent which while overall membership has declined over the last 10 years, membership over the last five has grown slightly. City clubs were better than the last few years with a 2.3 percent increase with the East doing the best with a 3.4 percent increase.

One new trend we began tracking three years ago was the average full member turnover per year. This shows the number of new members you need to attract in order to stay constant. It also provides a barometer of expected funds coming in through initiation fees. Both country and city clubs had a great improvement in this statistic, dropping from six percent for both in 2016 to 3.5 percent for country clubs and 2.5 percent for city clubs. This shows that clubs are doing a better job in keeping members. ■

COUNTRY CLUBS

20-YEAR TREND OF INCOME AND EXPENSES

Income and expenses per member were a little higher in 2017. Revenue per member increased by about \$400, but total revenue is still 20 percent less than the peak in 2007. Also, expenses per member are substantially less than in 2007. This points out that while clubs still struggle, it is not a controlling of the costs issue, but rather a revenue issue. Clubs need to get members to spend more of their discretionary dollars at the club. While amounts have increased substantially over 20 years, many of the numbers are only back to the 2003 levels. Total country club revenue increased approximately 87 percent from 1998 to 2017. Membership dues increased by 109 percent followed by a rise of 86 percent in food and beverage income and a moderate increase of 44 percent in all other sales and income. During the same period, total costs and expenses rose 85 percent, as payroll and related costs increased 103 percent, and all other operating expenses rose 66 percent.

From 2008 to 2017, both revenue and expenses per member decreased. Revenue per member decreased about 12 percent, with the greatest drop in all other sales and income. Membership dues and food and beverage dropped around seven percent.

Meanwhile, total costs and expenses dropped about 12 percent. Payroll and related costs were essentially even, but all other operating expenses were 24 percent less. On a positive note, for the eighth year in a row, operating income exceeded operating expenses.

Quite a bit of a club's revenue continues to come from nonmember use of club facilities. Approximately 82 percent of the respondents were tax-exempt. In spite of this, more than 90 percent of this amount have at least some nonmember use. The clubs reported an average of 10 percent of gross revenue from nonmember use of the club's facilities, about the same as last year. However, clubs need to go back and analyze the profitability of nonmember business.



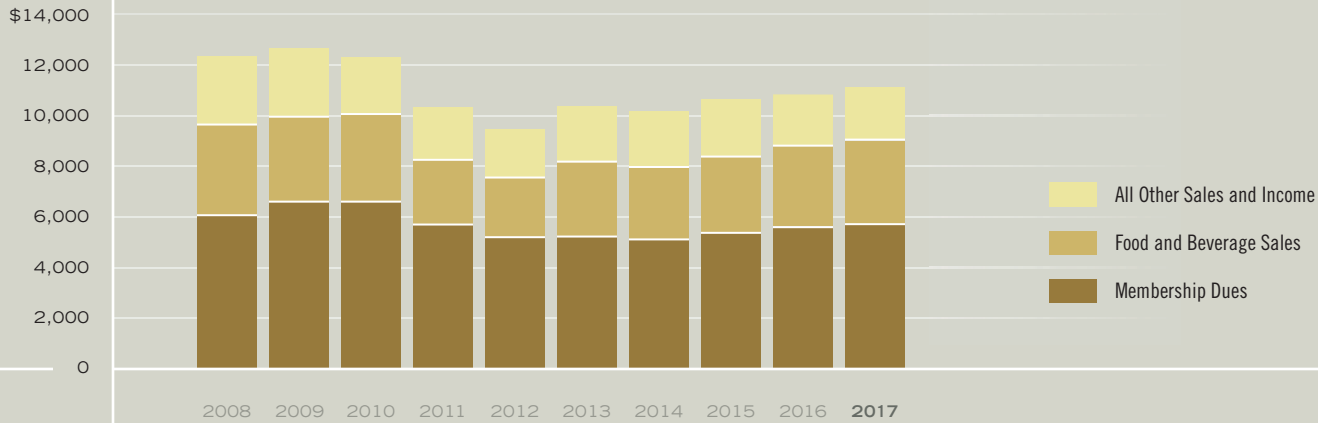
SOURCE OF INCOME PER MEMBER

YEAR	Membership Dues	Food and Beverage Sales	All Other Sales and Income	Total Revenue
1998	2,704	1,823	1,373	5,900
1999	3,445	1,959	1,503	6,907
2000	3,063	2,444	2,964	8,471
2001	3,787	2,784	2,104	8,675
2002	4,429	3,043	1,895	9,368
2003	5,116	2,970	2,255	10,341
2004	5,830	3,366	2,559	11,755
2005	6,182	3,535	3,023	12,740
2006	6,394	3,459	3,090	12,943
2007	6,613	3,708	3,051	13,371
2008	6,032	3,700	2,849	12,581
2009	6,656	3,491	2,553	12,700
2010	6,658	3,542	2,097	12,297
2011	5,744	2,760	1,767	10,271
2012	5,244	2,560	1,567	9,371
2013	5,224	3,166	1,897	10,287
2014	5,140	3,087	1,902	10,129
2015	5,351	3,309	1,811	10,471
2016	5,674	3,233	399	10,631
2017	5,662	3,399	1,975	11,036

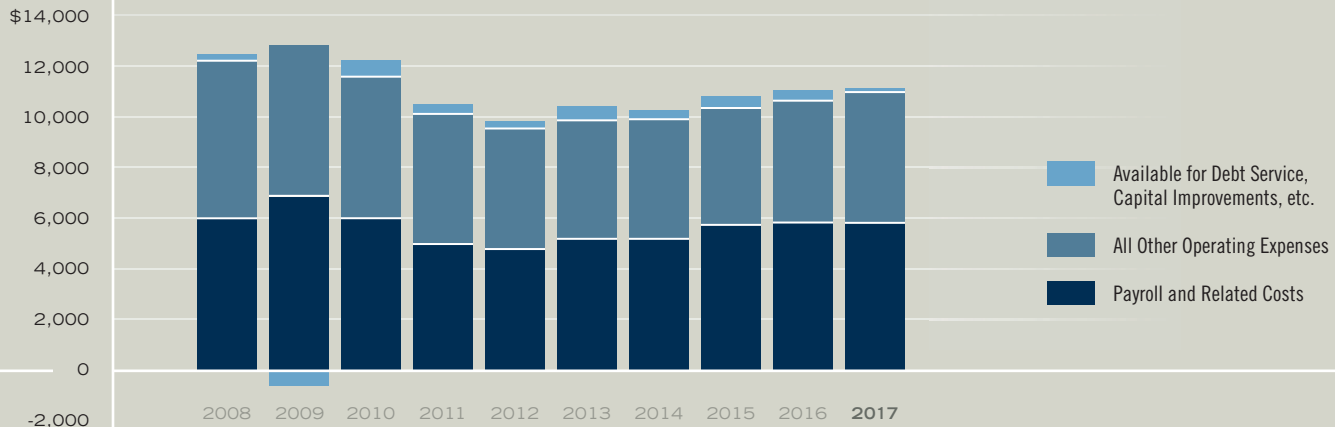
DISPOSITION OF INCOME PER MEMBER

YEAR	Payroll and Related Costs	All Other Operating Expenses	Total Costs and Expenses	Available for Debt Service, Capital Improvements, etc.
1998	3,048	2,852	5,900	0
1999	3,198	3,118	6,316	591
2000	3,833	6,166	7,999	472
2001	3,937	4,523	8,460	215
2002	5,373	4,621	9,994	-626
2003	5,740	5,043	10,784	-442
2004	6,566	5,672	12,238	-483
2005	6,978	5,922	12,900	-160
2006	6,943	6,310	13,253	-309
2007	7,093	6,405	13,498	-127
2008	6,195	6,228	12,423	158
2009	6,795	6,282	13,077	-377
2010	6,028	5,628	11,656	641
2011	5,547	4,606	10,153	118
2012	4,947	4,306	9,253	118
2013	5,694	4,071	9,765	522
2014	5,667	4,109	9,776	354
2015	5,976	4,229	10,205	266
2016	6,098	4,367	10,465	166
2017	6,172	4,748	10,920	116

COUNTRY CLUBS



INCOME PER MEMBER OPERATING COST PER MEMBER **2017**



COUNTRY CLUBS

RESULTS OF OPERATIONS

While clubs still struggle with increasing revenue, positive signs are on the horizon. Overall member spending has increased slightly over the last five years and clubs continue to be much more strategic in cutting expenses.

In 2017, for every dollar of operating income received by a club, it spent 97 cents. With boards reluctant to raise dues to what is actually needed, clubs will need to offset the increasing costs by attracting more members. The additional costs include competition for employees, a rise in the minimum wage in many states and the cost of water (particularly out West). On a positive note, regulation from government agencies may be on the decline.

Looking at our turnover statistics, a 500-member club must replace 14 members before the benefit of additional dues comes into play. However, this is a drastic decrease from last year when they had to replace 25 members before any benefit could be seen. Clubs are doing a better job of keeping members. If you combine fewer new members with lower (or static) initiation fees, the pressure on capital budgets continues.

However, there is a building boom in the private club community. While it may be anecdotal, in a recent survey, more than 60 percent of the clubs indicated they are doing or have done major renovations in the past three years. Unlike in the past, it is not all to the golf course. Clubs are

renovating pools, the practice area and food service venues.

To fund capital improvements, clubs use a combination of debt, initiation fees and income generated from operations. While approximately 60 percent of the clubs surveyed have a policy to isolate initiation fees for capital improvements, not all clubs follow the policy. In addition, certain clubs have broadened the definition of what constitutes a capital improvement and what can be paid for with initiation fees. Items that in the past would have been repairs are now deemed a capital item. More than 90 percent of the clubs use at least some debt in financing improvements and a third of those clubs use initiation fees to pay the debt.



RESULTS OF OPERATIONS BY SIZE AND GEOGRAPHIC DIVISION

	SIZE (MEMBERSHIPS)				GEOGRAPHIC DIVISION		
	All Country Clubs	Less than 500	500 to 700	More than 700	East	Central	West
RATIO TO TOTAL INCOME							
SALES AND INCOME							
Operating Membership Dues	52.4%	53.3%	52.8%	51.1%	52.9%	49.6%	56.0%
Food and Beverage	31.4%	29.6%	32.3%	31.3%	30.4%	35.3%	27.1%
Golf	12.9%	14.3%	12.3%	12.9%	13.5%	11.9%	12.8%
Sports	1.5%	1.0%	0.7%	3.0%	1.7%	1.2%	2.1%
Other	1.8%	1.8%	1.9%	1.7%	1.5%	2.0%	2.0%
→ Total Income	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
DEPARTMENTAL EXPENSES							
Food and Beverage	34.8%	33.1%	35.9%	34.0%	34.4%	38.1%	32.3%
Golf	28.1%	32.5%	26.7%	26.0%	29.6%	25.0%	30.0%
Sports	5.3%	3.6%	4.1%	7.1%	5.6%	4.3%	5.0%
→ Total Departmental Expenses	68.2%	69.2%	66.7%	67.1%	69.6%	67.4%	67.3%
LESS UNAPPORTIONED EXPENSES							
General and Administrative	12.5%	13.5%	13.2%	11.6%	12.5%	12.1%	12.5%
Buildings	10.8%	10.0%	10.3%	10.9%	10.3%	11.1%	11.3%
Real Estate and Property Taxes and Insurance	5.2%	5.8%	5.6%	4.7%	5.2%	5.3%	4.8%
→ Total Unapportioned Expenses	28.5%	29.3%	29.1%	27.2%	28.0%	28.5%	28.6%
→ Total Expenses	96.7%	98.5%	95.8%	94.3%	97.6%	95.9%	95.9%
→ Balance	3.4%	1.5%	4.2%	5.7%	2.4%	4.1%	4.1%

COUNTRY CLUBS

RESTAURANT OPERATIONS

2016 was a difficult year for the food and beverage department and 2017 was not much different. The loss from the department was approximately 15 percent in both years. The cost of goods sold for food and beverage stayed consistent from 2016 to 2017. As expected, payroll expenses increased, but only by 1.5 percent. It is likely this trend of a slight increase in payroll expense will continue as the overall competition for employees continues to rise.

Food and beverage operations continue to be a major revenue generator for the club. However, while it generates revenue, seldom does it generate profit. According to many surveys, this is the most important

aspect of a country club after golf. We have stated a number of times that a club is not a restaurant and cannot expect the same performance because of the number of venues and hours of operation. Fortunately, the most successful clubs look at the food and beverage department as just another amenity. Members consider it one of the most important aspects of the club. Clubs continue to increase menu prices with an average increase of about five percent. The greater emphasis on casual and family type dining remains. In addition, the desire for outdoor service continues. Many clubs in warmer climates have supplemented the dining patio with outside bars, greater services at the pools and portable fireplaces where members can mingle.



Whether to have minimums and the proper accounting for unused food and beverage minimums has been an ongoing source of controversy. However, 56 percent of the clubs surveyed do have minimums. Clubs continue to question the wisdom of minimums and are looking for other ways to spread the cost of the food and beverage department across the full membership.

While some clubs do allow tipping, the overwhelming majority (90 percent) still apply service charges, at a minimum to banquets. The additional amount added to the check ranges from a low of 15 percent to a high of 25 percent. No one percentage is charged by a majority of clubs. Once again, the most common percentage is 20 with 18 as a close second.

RESTAURANT OPERATIONS BY SIZE AND GEOGRAPHIC DIVISION

	SIZE (MEMBERSHIPS)				GEOGRAPHIC DIVISION		
	All Country Clubs	Less than 500	500 to 700	More than 700	East	Central	West
FOOD AND BEVERAGE DEPARTMENT							
Food Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Food Costs	41.9%	44.7%	41.7%	41.6%	42.1%	41.4%	41.7%
→ Food Gross Profit	58.1%	55.3%	58.3%	58.4%	57.9%	58.6%	58.3%
Beverage Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Beverage Costs	33.4%	33.2%	32.7%	34.7%	33.1%	33.2%	35.0%
→ Beverage Gross Profit	66.6%	66.8%	67.3%	65.3%	66.9%	66.8%	65.0%
Total Food and Beverage Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total Cost of Food and Beverage Sales	39.6%	41.0%	39.7%	38.8%	39.7%	39.2%	39.7%
→ Total Food and Beverage Gross Profit	60.4%	59.0%	60.3%	61.2%	60.3%	60.8%	60.3%
Payroll (Salary and Wages)	53.9%	54.1%	52.9%	53.8%	54.3%	51.4%	58.2%
Payroll Taxes and Benefits	11.6%	11.5%	11.5%	11.8%	11.3%	10.6%	13.7%
Other Expenses	9.9%	10.3%	9.3%	9.9%	9.8%	9.4%	11.5%
→ Total Expenses	75.4%	75.9%	73.7%	75.5%	75.4%	71.3%	83.4%
→ Net Income (Loss)	(15.0)%	(16.9)%	(13.3)%	(14.3)%	(15.1)%	(10.5)%	(23.1)%

COUNTRY CLUBS

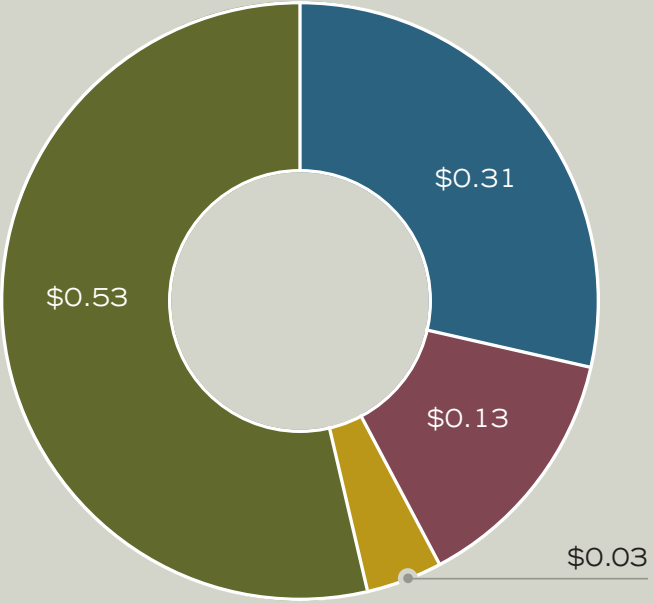
ANNUAL OPERATING COST PER MEMBER



ANNUAL OPERATING COST PER MEMBER BY SIZE AND GEOGRAPHIC DIVISION

	All Country Clubs	SIZE (MEMBERSHIPS)			GEOGRAPHIC DIVISION		
		Less than 500	500 to 700	More than 700	East	Central	West
INCOME AND EXPENSES PER MEMBER							
SALES AND INCOME							
Operating Membership Dues	\$5,662	\$7,073	\$5,687	\$5,297	\$5,773	\$5,251	\$6,523
Food and Beverage	\$3,399	\$3,932	\$3,484	\$3,245	\$3,318	\$3,739	\$3,152
Golf	\$1,398	\$1,898	\$1,329	\$1,334	\$1,470	\$1,262	\$1,485
Sports	\$166	\$136	\$80	\$306	\$198	\$127	\$245
Other	\$190	\$235	\$194	\$174	\$163	\$214	\$233
→ Total Income	\$10,815	\$13,274	\$10,774	\$10,356	\$10,921	\$10,593	\$11,638
DEPARTMENTAL EXPENSES							
Food and Beverage	\$3,765	\$4,396	\$3,864	\$3,519	\$3,760	\$4,039	\$3,760
Golf	\$3,034	\$4,313	\$2,873	\$2,692	\$3,230	\$2,649	\$3,492
Sports	\$558	\$474	\$443	\$738	\$607	\$451	\$586
→ Total Departmental Expenses	\$7,357	\$9,183	\$7,180	\$6,949	\$7,597	\$7,139	\$7,838
LESS UNAPPORTIONED EXPENSES							
General and Administrative	\$1,354	\$1,789	\$1,419	\$1,203	\$1,361	\$1,282	\$1,458
Buildings	\$1,173	\$1,329	\$1,113	\$1,128	\$1,128	\$1,180	\$1,314
Real Estate and Property Taxes and Insurance	\$568	\$776	\$605	\$489	\$573	\$559	\$555
→ Total Unapportioned Expenses	\$3,095	\$3,894	\$3,137	\$2,820	\$3,062	\$3,021	\$3,327
→ Total Expenses	\$10,452	\$13,077	\$10,317	\$9,769	\$10,659	\$10,160	\$11,165
→ Balance	\$363	\$197	\$457	\$587	\$262	\$434	\$474

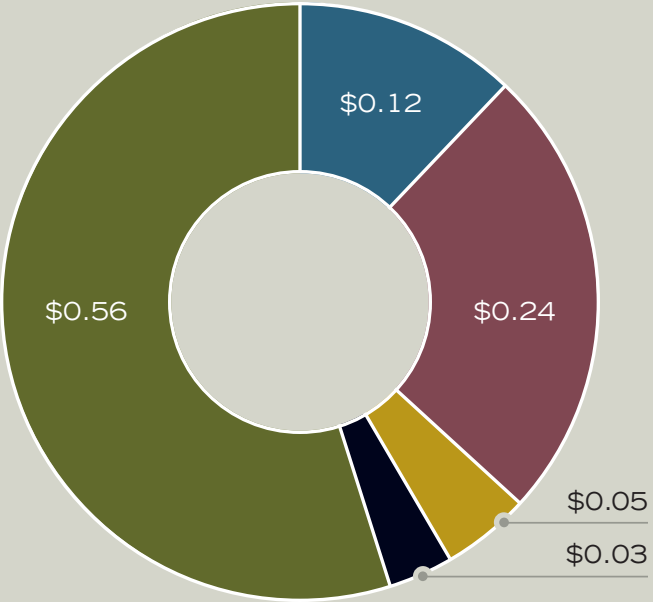
COUNTRY CLUBS



2017 INCOME \$
(TOTAL = \$1.00)

- Dues
- Food and Beverage
- Golf
- Other Sports and Income

COUNTRY CLUB INCOME AND WHERE IT WENT 2017



2017 EXPENSES \$
(TOTAL = \$1.00)

- Payroll and Related Costs
- Food and Beverage
- Other Operating Expenses
- Real Estate Taxes and Insurance
- Amount Available for Debt Service

COUNTRY CLUBS



MEMBERSHIP DATA AND PAYROLL STATISTICS

Clubs are in the dues business. Dues for members continue to rise, but not to the extent necessary to fund the club appropriately. In 2017, dues increased approximately two percent which is substantially below the five percent for 2016. From discussions with a number of clubs, it looks like most were budgeting a three to eight percent increase for 2018. One hopeful sign is that dues as a percentage of total revenue remained at 53 percent of a club's revenue. This is consistent with amounts over the last 20 years. Over those years, dues ranged from 45 to 56 percent of the club's income.

One of the more controllable expenses of a club is labor. However, as mentioned several times in this publication, it is becoming more difficult to find quality employees and this cost is expected to rise. Members expect service, so the club does not have the flexibility to cut costs in this area as readily as a commercial operation would have. However, it is an area in which great strides have been made and any further cuts impact services. Payroll and benefits costs continue to increase. Total payroll costs were about the same as 2016 and take 56 cents of every dollar received.

MEMBERSHIP DATA AND PAYROLL STATISTICS BY SIZE AND GEOGRAPHIC DIVISION

	All Country Clubs	SIZE (MEMBERSHIPS)			GEOGRAPHIC DIVISION		
		Less than 500	500 to 700	More than 700	East	Central	West
MEMBERSHIP DATA							
Full Membership Turnover Percentage	3.5%	1.8%	2.8%	4.1%	2.9%	4.3%	1.6%
Variation in Membership	0.6%	0.7%	0.2%	0.6%	0.4%	0.6%	0.9%
Average Annual Dues Rate							
Current Year	\$8,040	\$9,341	\$7,824	\$7,806	\$8,313	\$7,320	\$8,826
Prior Year (from prior Trends report)	\$7,956	\$7,995	\$7,833	\$7,620	\$8,104	\$7,368	\$8,790
PAYROLL STATISTICS							
Payroll Statistics per All Operating Revenue Excluding Dues							
Food and Beverage	33.3%	32.0%	35.2%	33.3%	33.6%	33.5%	33.4%
Golf Operations	29.7%	33.3%	30.0%	26.6%	30.0%	26.6%	34.6%
Sports	5.1%	3.7%	4.2%	8.4%	5.5%	4.5%	5.3%
→ SubTotal	68.1%	69.0%	69.4%	68.3%	69.1%	64.5%	73.3%
→ All Other Departments	22.7%	23.4%	22.3%	22.0%	23.3%	20.4%	23.8%
→ Total Club Payroll	90.8%	92.4%	91.7%	90.3%	92.3%	84.9%	97.1%
Total Payroll Tax and Benefits	19.0%	18.0%	20.0%	19.0%	19.0%	17.0%	23.0%
→ Total Payroll and Related Costs	109.8%	110.4%	111.7%	109.3%	111.3%	101.9%	120.1%

COUNTRY CLUBS

GOLF COURSE EXPENSES

Total golf course expenses in 2017 were approximately 1 1/2 percent higher than in 2016. The cost is a little higher than \$64,000 per hole, which is about a 10 percent drop from five years ago. The West continues to lead the way in this area with its costs more than \$12,000 higher per hole than the other two regions.

The cost per hole is still dependent on many variables which often are region specific. For some, water may be an extra cost, and for others, it may be problems caused by the strange weather over the last year. Still others are impacted by the high cost of fuel and utilities. However, in many cases, clubs are making do with less. While

labor has stayed about the same over the last few years, other costs dropped dramatically.

One reason for the difference in numbers between regions is the additional demand for golf in the West. The West has approximately 25 percent more rounds per 18 holes than the other two regions. Average rounds stayed constant. The average cost per hole increased but the average cost per round stayed the same from 2016 to 2017. While a number of articles have indicated that average rounds per 18 holes have increased, our numbers show that the improvement continues to be very regional. ■



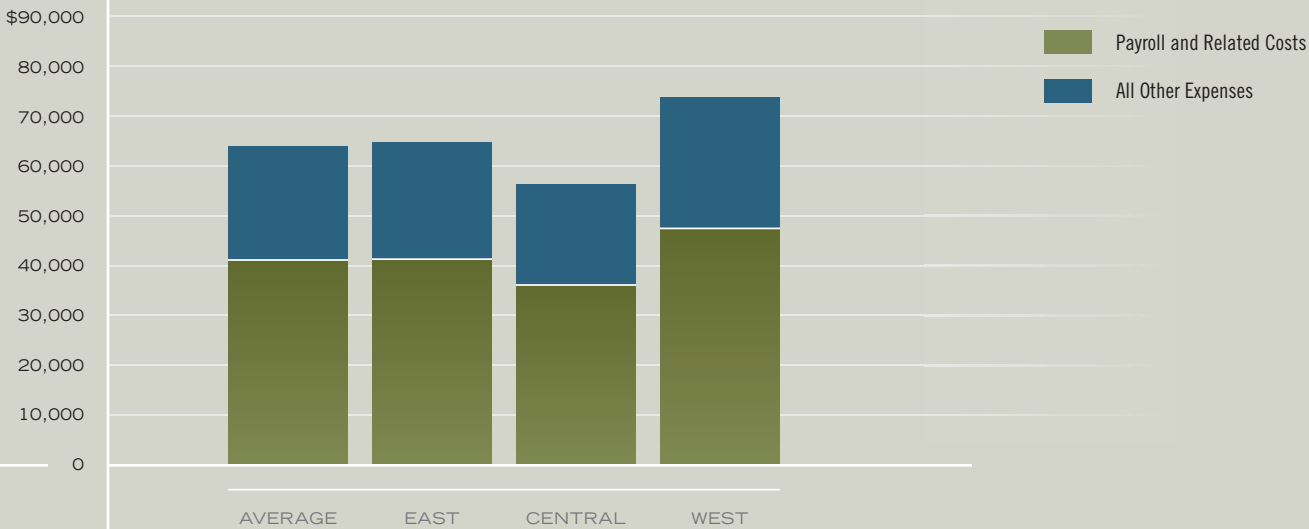
GOLF COURSE EXPENSES BY SIZE AND GEOGRAPHIC DIVISION

	All Country Clubs	SIZE (MEMBERSHIPS)			GEOGRAPHIC DIVISION		
		Less than 500	500 to 700	More than 700	East	Central	West
COURSE MAINTENANCE							
AVERAGE COST PER HOLE							
Salary and Wages	\$34,444	\$32,992	\$32,555	\$38,484	\$34,773	\$30,563	\$37,660
Payroll Taxes and Benefits	\$7,022	\$5,968	\$6,761	\$7,740	\$7,115	\$5,600	8,820
Supplies and Contracts	\$14,084	\$12,219	\$11,781	\$15,643	\$14,811	\$11,887	\$15,900
Other Expenses	\$8,799	\$8,391	\$8,707	\$9,724	\$8,904	\$7,789	\$9,750
→ Total Expenses	\$64,349	\$59,570	\$59,804	\$71,592	\$65,603	\$55,838	\$72,129
AVERAGE COST PER ROUND							
Salary and Wages	\$33	\$36	\$33	\$33	\$33	\$31	\$32
Payroll Taxes and Benefits	\$7	\$7	\$6	\$7	\$6	\$6	\$8
Supplies and Contracts	\$14	\$17	\$11	\$15	\$14	\$13	\$15
Other Expenses	\$8	\$10	\$8	\$9	\$9	\$9	\$8
→ Total Expenses	\$61	\$70	\$58	\$64	\$62	\$59	\$63
Average rounds per 18 holes	18,813	15,076	18,543	21,451	18,399	16,868	23,595

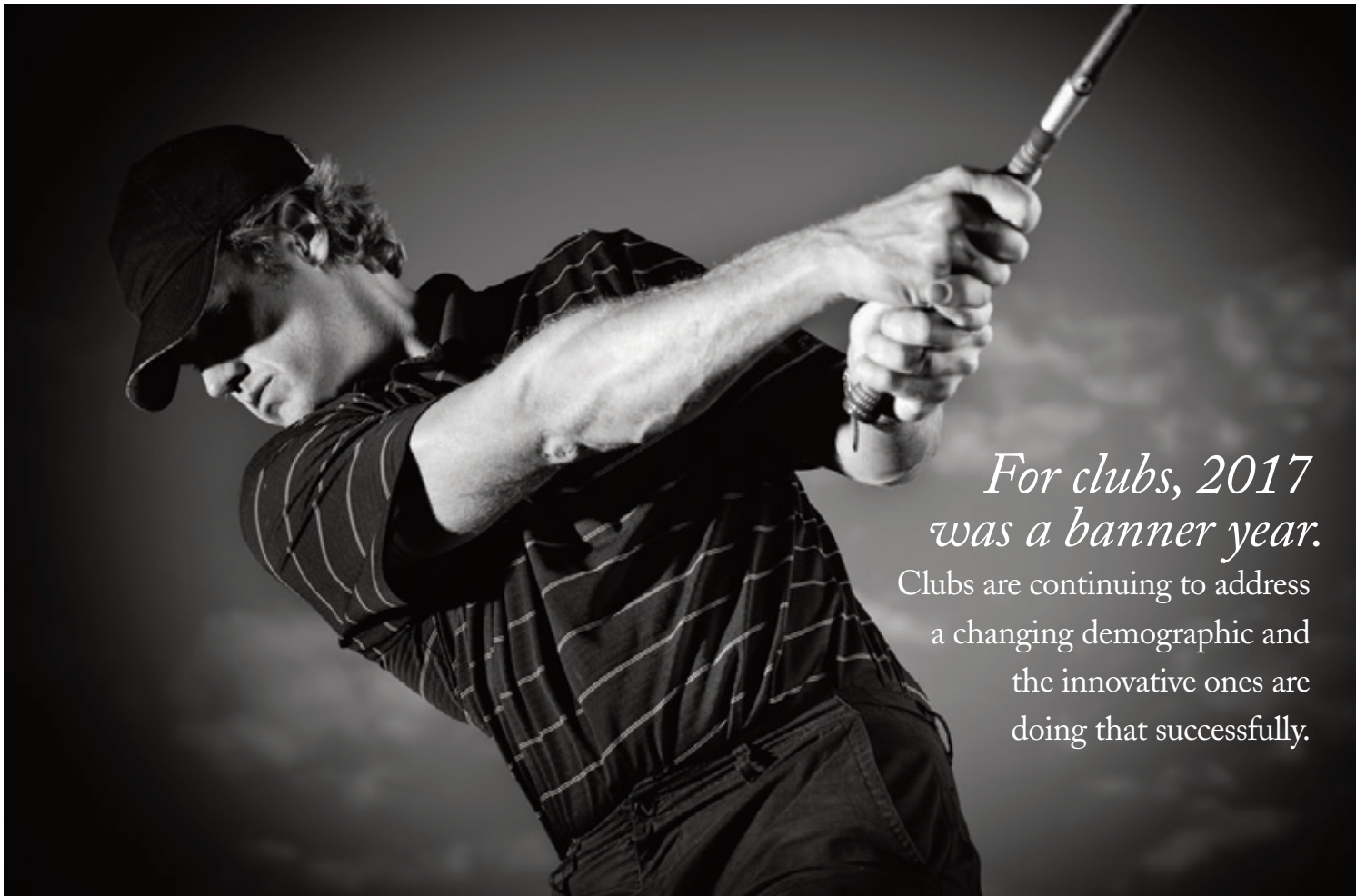
COUNTRY CLUBS



AVERAGE COST PER HOLE 2017



CLUBS



*For clubs, 2017
was a banner year.*
Clubs are continuing to address
a changing demographic and
the innovative ones are
doing that successfully.



20-YEAR TREND OF INCOME AND EXPENSES

Total city club revenue per member increased 83 percent from 1998 to 2017. Membership dues rose 119 percent with a 63 percent rise in food and beverage sales and a 55 percent increase in all other sales and income. Meanwhile, total costs and expenses rose 78 percent, as payroll and related costs increased 140 percent and all other operating expenses rose 25 percent.

Total revenue per member has decreased 23 percent between 2008 and 2017. Membership dues dropped eight percent, while revenue from food and beverage sales dropped 20 percent and other income declined 52 percent. For the same period, total costs and expenses decreased 28 percent, as payroll and related costs dropped about 16 percent and all other operating expenses by about 42 percent. It is interesting to note how low the growth rate has been in city clubs. While revenue per member is the highest since 2011, a period of seven years of rising income, over the last ten years, it has decreased more than 20 percent.

Following the same trend as country clubs and prior years, more of a city club's revenue is coming from nonmember use of club facilities. Ninety-two percent of the clubs surveyed were tax-exempt and almost all allow nonmember usage. The percentage of city clubs allowing nonmember usage was higher than country clubs. In addition, the percentage of gross revenue from nonmember use of the club's facilities also was higher. The average nonmember usage was 12 percent with several clubs reporting in above that number. Much of the nonmember usage comes from rooms rented by members of reciprocal clubs.



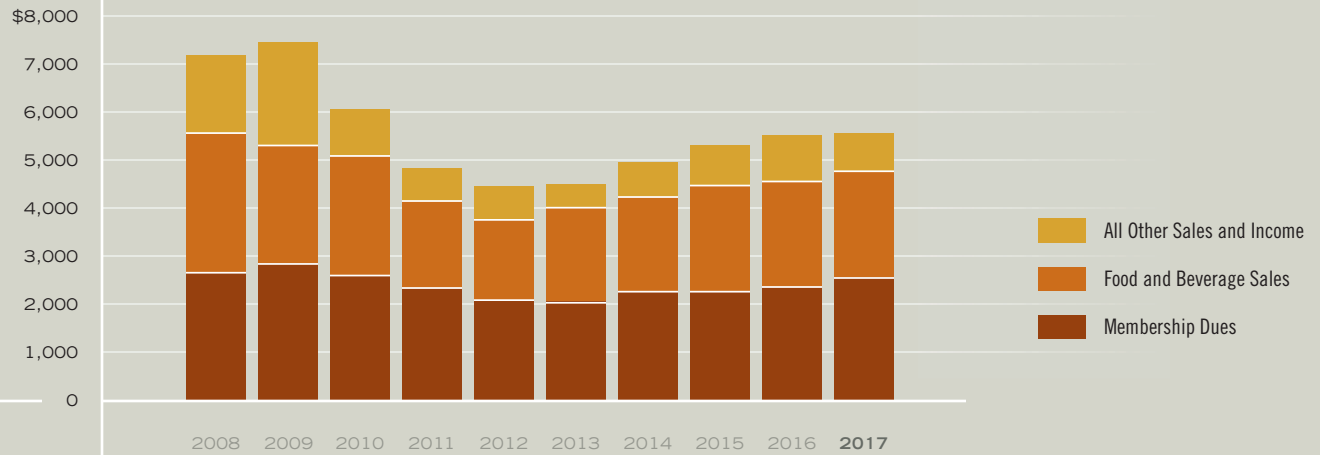
SOURCE OF INCOME PER MEMBER

YEAR	Membership Dues	Food and Beverage Sales	All Other Sales and Income	Total Revenue
1998	1,146	1,384	482	3,012
1999	1,358	1,553	559	3,470
2000	1,934	1,872	2,357	6,163
2001	1,920	2,327	906	5,153
2002	1,678	2,048	1,006	4,731
2003	2,195	2,654	1,347	6,196
2004	2,244	2,477	1,402	6,122
2005	2,475	2,557	1,593	6,625
2006	2,525	2,355	1,625	6,505
2007	2,383	2,375	1,633	6,391
2008	2,752	2,818	1,585	7,155
2009	2,883	2,604	1,917	7,403
2010	2,723	2,384	940	6,047
2011	2,443	1,705	738	4,886
2012	1,996	1,707	744	4,447
2013	2,015	1,948	553	4,516
2014	2,065	2,199	718	4,982
2015	2,094	2,292	795	5,191
2016	2,251	2,202	959	5,412
2017	2,506	2,251	746	5,503

DISPOSITION OF INCOME PER MEMBER

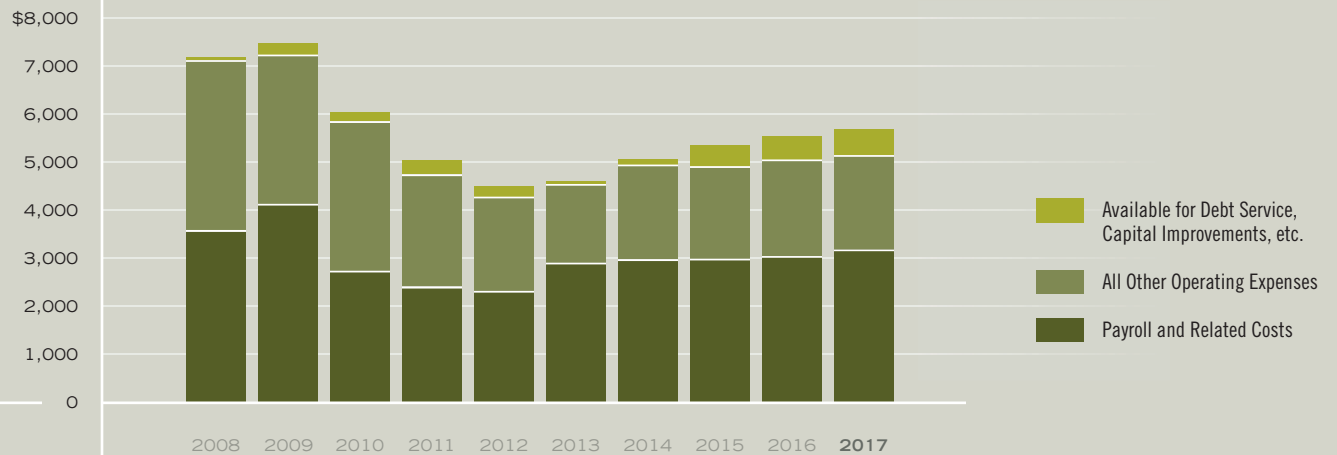
YEAR	Payroll and Related Costs	All Other Operating Expenses	Total Costs and Expenses	Available for Debt Service, Capital Improvements, etc.
1998	1,305	1,554	2,859	153
1999	1,401	1,681	3,082	388
2000	1,912	3,519	5,431	732
2001	1,570	3,310	4,880	273
2002	2,577	2,234	4,811	-80
2003	3,546	2,650	6,196	0
2004	3,498	2,541	6,039	83
2005	3,636	2,661	6,297	328
2006	3,651	2,597	6,248	257
2007	3,723	2,603	6,326	65
2008	3,747	3,404	7,151	4
2009	4,233	2,964	7,197	206
2010	2,680	3,229	5,909	138
2011	2,325	2,364	4,689	197
2012	2,285	1,957	4,242	205
2013	2,708	1,760	4,468	48
2014	2,952	1,989	4,941	41
2015	2,901	1,948	4,849	332
2016	2,952	2,062	5,052	360
2017	3,140	1,954	5,094	409

CITY CLUBS



INCOME PER MEMBER OPERATING COST PER MEMBER

2017



RESULTS OF OPERATIONS

City clubs continue to recover as many have seen an increase in revenue per member over the last few years. Unlike country clubs, city clubs experienced a 22 percent increase in total revenue per member over the last five years, a very positive trend. However, country clubs may have substantial savings or regular initiation fees to cushion any slow-down, which most city clubs do not. Of course, exceptions exist and generally those are the larger (and older) city clubs in the larger cities.

As a result, city clubs must operate on a break-even basis. Other than 2002, they have done that for the last 20 years. To survive, city clubs must give members a reason to remain by providing more services and appealing to a wider range of potential members. It is imperative that a stronger outreach be made to professional woman and to families moving back to the cities.

However, many city clubs are in older facilities, which require constant maintenance and improvements, regardless of the state of the economy. To fund these capital improvements, clubs use a combination of debt, initiation fees, and income generated from operations. Additionally to compete, they must strive to be relevant and renovation of the facilities is becoming more common. As a result, capital improvements have risen exponentially

over the last few years. One of the more popular amenities being added is a roof top bar or dining area where possible.

Members are showing a new willingness to commit substantial funds to improvements if they can be justified. Few, if any, city clubs isolate initiation fees for capital improvements. In fact, many city clubs have substantially reduced the cost to join. City clubs were earlier to embrace debt in making capital improvements. Ninety-five percent of the clubs use at least some debt in financing the improvements with the larger clubs being the most aggressive.



RESULTS OF OPERATIONS BY SIZE AND GEOGRAPHIC DIVISION

	All City Clubs	SIZE (MEMBERSHIPS)		GEOGRAPHIC DIVISION		
		1800 and Less	More than 1800	East	Central	West
RATIO TO TOTAL INCOME						
SALES AND INCOME						
Operating Membership Dues	45.0%	46.4%	37.4%	47.1%	46.9%	41.0%
Food and Beverage	40.9%	42.2%	43.1%	40.8%	41.7%	40.0%
Rooms	6.4%	5.0%	7.3%	4.8%	4.5%	13.0%
Sports	5.8%	4.5%	10.2%	6.0%	4.0%	5.0%
Other Income	1.9%	1.9%	2.0%	1.3%	2.9%	1.0%
→ Total Income	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
DEPARTMENTAL EXPENSES						
Food and Beverage	46.0%	48.1%	34.8%	47.0%	45.0%	48.7%
Rooms	2.0%	1.6%	3.2%	1.8%	1.4%	5.2%
Sports	8.7%	6.9%	17.0%	10.0%	8.0%	7.5%
→ Total Departmental Expenses	56.7%	56.6%	55.0%	58.8%	54.4%	61.4%
LESS UNAPPORTIONED EXPENSES						
General and Administrative	16.0%	18.3%	13.1%	15.9%	18.7%	15.0%
Buildings	12.6%	12.0%	13.8%	13.3%	11.7%	12.0%
Real Estate and Property Taxes and Insurance	5.7%	6.8%	4.8%	5.8%	7.6%	5.1%
→ Total Unapportioned Expenses	34.3%	37.1%	31.7%	35.0%	38.0%	32.1%
→ Total Expenses	91.0%	93.7%	86.7%	96.0%	92.4%	93.5%
→ Balance	9.0%	6.3%	13.3%	4.0%	7.6%	6.5%

DEPARTMENTAL OPERATIONS

Dues income increased from 42 cents of every dollar taken in during 2016 to 45 cents in 2017. This is much closer to the norm for city clubs than has been reflected over the last few years. However, food and beverage operations is still a substantial revenue generator. Since it is such a large revenue source, it is imperative that food and beverage operations come close to a break-even point. Unfortunately, that did not occur this year. The size of the loss was about six percent less than 2016 with all regions showing improvement. City clubs were the first to understand what country clubs are just learning: food and beverage is an amenity and, in many cases, the most important one for the club.

Breaking even is difficult because of member expectations. However, constant review of costs and realistic pricing has improved the performance of city clubs. At least the clubs are moving in the right direction. Payroll costs continued to show some improvement, but it still constitutes more than 70 percent of every food and beverage dollar received by the club.

City clubs have dealt with the issue of food and beverage minimums for years. Approximately 70 percent have some form of minimum. Of these, 80 percent include any unused minimum, if substantial, in other income.

Eighty-two percent of the clubs apply service charges to à la carte service and 100 percent when dealing with banquets. Tipping is allowed at 25 percent of the clubs. Some, mainly the larger clubs, have both. The additional amount added to the check is in a very narrow range of 15 to 25 percent with an average of 18.5 percent.

Rooms continue to be profitable for city clubs with the departmental income at 53 percent, the same as last year. The total dollars increased, mainly from higher occupancy. Room rates continue to improve, but are still not back to the pre-recession highs. This is similar to the hospitality industry as a whole. But as new hotels open in a city, it puts pressure on the ability of city clubs to attract guests. As would be expected, the larger clubs with many rooms make the most money in this area. For many clubs, this is the major source of nonmember income.

DEPARTMENTAL OPERATIONS BY SIZE AND GEOGRAPHIC DIVISION

	SIZE (MEMBERSHIPS)			GEOGRAPHIC DIVISION		
	All City Clubs	1800 and Less	More than 1800	East	Central	West
FOOD AND BEVERAGE DEPARTMENT						
Food Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Food Costs	39.9%	41.1%	36.0%	41.2%	40.1%	36.4%
→ Food Gross Profit	60.1%	58.9%	64.0%	58.8%	59.9%	63.6%
Beverage Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Beverage Costs	31.7%	31.9%	31.1%	29.4%	30.2%	33.1%
→ Beverage Gross Profit	68.3%	68.1%	68.9%	70.6%	69.8%	66.9%
Total Food and Beverage Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total Cost of Food and Beverage Sales	37.5%	38.8%	33.9%	38.2%	37.8%	36.6%
→ Total Food and Beverage Gross Profit	62.5%	61.2%	66.1%	61.8%	62.2%	63.4%
Payroll (Salary and Wages)	50.0%	49.0%	53.7%	51.3%	50.4%	47.5%
Payroll Taxes and Benefits	11.8%	11.8%	11.5%	11.6%	10.6%	14.0%
Other Expenses	8.6%	8.9%	8.8%	9.0%	9.1%	8.6%
→ Total Expenses	70.4%	69.7%	74.0%	71.9%	70.1%	70.1%
→ Net Income	-7.9%	-8.5%	-7.9%	-10.1%	-7.9%	-6.7%
ROOMS DEPARTMENT						
Room Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
DEPARTMENTAL EXPENSES						
Payroll (Salary and Wages)	26.9%	20.7%	28.7%	26.5%	25.0%	27.0%
Payroll Taxes and Benefits	8.5%	6.2%	9.5%	8.7%	8.2%	10.8%
Other	9.2%	8.8%	10.1%	7.0%	11.2%	10.6%
→ Total Expenses	44.6%	35.7%	48.3%	42.2%	44.4%	48.4%
→ Net Income	55.4%	64.3%	51.7%	57.8%	55.6%	51.6%

MEMBERSHIP DATA AND PAYROLL STATISTICS

Similar to country clubs, membership dues continue to rise. In 2017, dues were raised more than eight percent. Even with this increase, dues are still less than half of what a country club would charge. The range was much less consistent among the regions with the central increasing by more than ten percent. What is hopeful, however, is that dues revenue was 45 percent of operating revenue. This represents a nine percent increase over the last two years and is more in line with historical norms.

As the economy continues to improve, finding and keeping a good employee is problematic. With the reduction in unemployment, it may be a greater one

moving forward. With the push to increase the minimum wage, more often in cities than the states as a whole, and the additional cost expected, a club's salary cost structure is under pressure.

Employee costs continue to be the largest expense of a city club. City clubs did a good job in 2017 under difficult circumstances. However, payroll as a percentage of revenue (other than dues, salary and wages as a percentage of every dollar taken in) increased in 2017. Labor is, to a certain extent, a controllable expense. It is an area where great strides have been made, but further cuts will affect services. ■



MEMBERSHIP DATA AND PAYROLL STATISTICS BY SIZE AND GEOGRAPHIC DIVISION

	SIZE (MEMBERSHIPS)			GEOGRAPHIC DIVISION		
	All City Clubs	1800 and Less	More than 1800	East	Central	West
MEMBERSHIP DATA						
Full Membership Turnover Percentage	2.5%	8.6%	2.2%	1.0%	8.6%	0.0%
Variation in Membership	2.3%	3.9%	0.0%	3.4%	3.3%	2.1%
Average Annual Dues Rate						
Current Year	\$3,275	\$3,300	\$3,225	\$3,310	\$3,072	\$3,275
Prior Year (from prior Trends report)	\$3,250	\$3,240	\$3,175	\$3,300	\$2,704	\$3,075
PAYROLL STATISTICS						
Payroll Statistics per All Operating Revenue Excluding Dues						
Food and Beverage	35.3%	38.1%	29.2%	39.4%	35.5%	32.1%
Rooms	3.1%	2.8%	3.2%	3.7%	4.1%	3.1%
Sports	8.5%	7.2%	11.9%	9.2%	8.8%	8.1%
→ SubTotal	46.9%	48.1%	44.3%	52.3%	48.4%	43.3%
→ All Other Departments	27.5%	25.4%	31.3%	25.5%	27.5%	27.1%
→ Total Club Payroll	74.4%	73.5%	75.6%	77.8%	75.9%	70.4%
Total Payroll Tax and Benefits	16.0%	16.0%	16.0%	15.0%	16.0%	19.0%
→ Total Payroll and Related Costs	90.4%	89.5%	91.6%	92.8%	91.9%	89.4%

CITY CLUBS

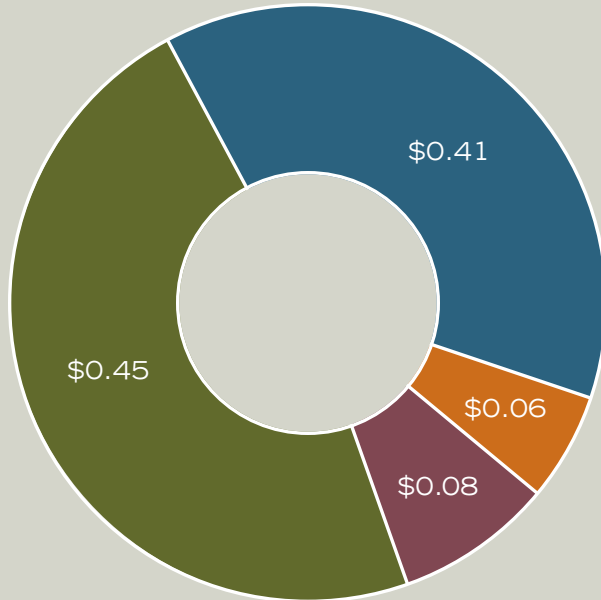
ANNUAL OPERATING COST PER MEMBER



ANNUAL OPERATING COST PER MEMBER BY SIZE AND GEOGRAPHIC DIVISION

	SIZE (MEMBERSHIPS)			GEOGRAPHIC DIVISION		
	All City Clubs	1800 and Less	More than 1800	East	Central	West
INCOME AND EXPENSES PER MEMBER						
SALES AND INCOME						
Operating Membership Dues	\$2,506	\$2,715	\$1,806	\$2,506	\$2,864	\$2,410
Food and Beverage	\$2,252	\$2,466	\$2,100	\$2,170	\$2,548	\$2,901
Rooms	\$330	\$330	\$355	\$255	\$275	\$679
Sports	\$321	\$254	\$495	\$321	\$250	\$343
Other	\$95	\$81	\$116	\$69	\$175	\$87
→ Total Income	\$5,503	\$5,846	\$4,872	\$5,321	\$6,112	\$6,419
DEPARTMENTAL EXPENSES						
Food and Beverage	\$2,571	\$2,814	\$1,694	\$2,555	\$2,900	\$3,126
Rooms	\$108	\$96	\$159	\$95	\$84	\$329
Sports	\$480	\$404	\$683	\$435	\$399	\$484
→ Total Departmental Expenses	\$3,159	\$3,314	\$2,536	\$3,084	\$3,383	\$3,939
LESS UNAPPORTIONED EXPENSES						
General and Administrative	\$927	\$1,071	\$639	\$847	\$1,141	\$927
Buildings	\$692	\$701	\$673	\$710	\$718	\$772
Real Estate and Property Taxes and Insurance	\$316	\$398	\$235	\$307	\$464	\$325
→ Total Unapportioned Expenses	\$1,935	\$2,170	\$1,547	\$1,864	\$2,323	\$2,024
→ Total Expenses	\$5,094	\$5,483	\$4,083	\$4,948	\$5,706	\$5,963
→ Balance	\$409	\$363	\$790	\$373	\$406	\$456

CITY CLUBS

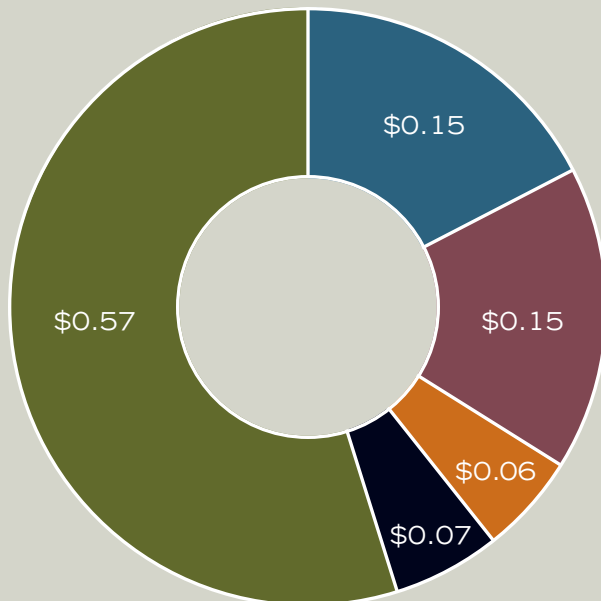


2017 INCOME \$
(TOTAL = \$1.00)

- Dues
- Food and Beverage
- Rooms
- Other

CITY CLUB INCOME AND WHERE IT WENT

2017



2017 EXPENSES \$
(TOTAL = \$1.00)

- Payroll and Related Costs
- Food and Beverage
- Other Operating Expenses
- Real Estate Taxes and Insurance
- Amount Available for Debt Service

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