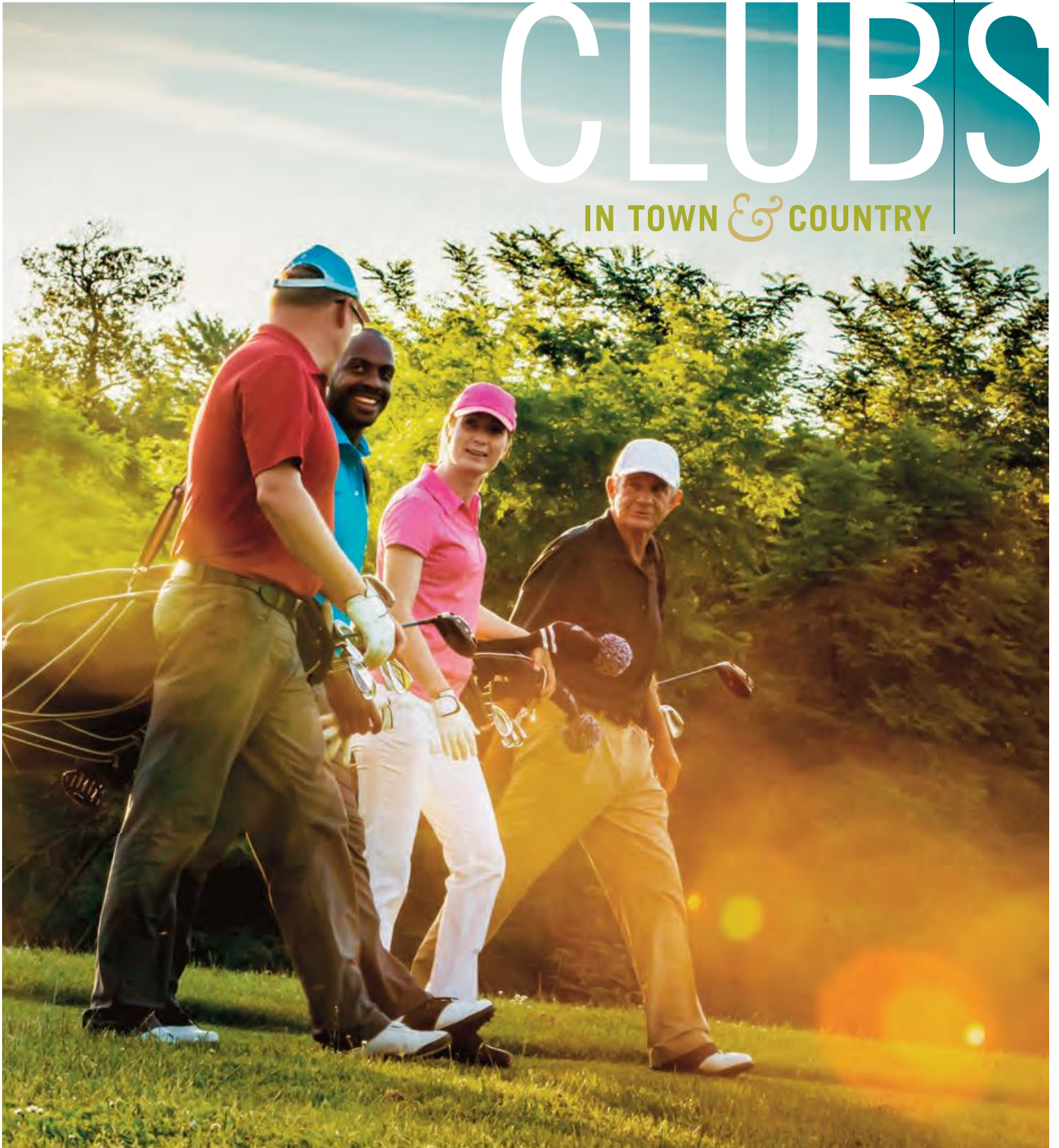


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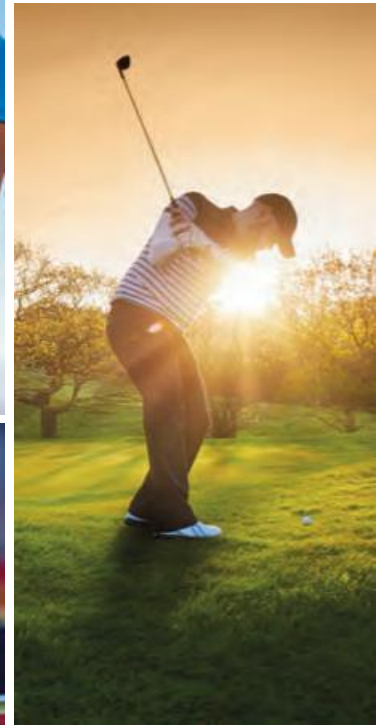
IN TOWN & COUNTRY



POWERED BY



2017 EDITION



A Publication of PBMares, LLP in conjunction with Club Services Group.

NORTH AMERICAN CLUB SERVICES GROUP

Atlanta	Frazier & Deeter	Ruth Bartlett	404.253.7500	ruth.bartlett@frazierdeeter.com
Boston	PKF Boston	Nick Nickles	617.753.9985	nick@pkfboston.com
Houston	PKF Texas	Michael Veuleman	713.860.1490	mveuleman@pkftexas.com
Los Angeles	Hutchinson & Bloodgood	Mark Hennelly	818.637.5000	mhennelly@hbllp.com
New York	PKF O'Connor Davies	Clare Cella	212.867.8000	ccella@odpkf.com
Richmond	PBMares, LLP	Todd Swisher	804.323.0022	tswisher@pbmares.com
Washington	PBMares, LLP	Helaine Weissman	703.385.8809	hweissman@pbmares.com

CLUBS IN TOWN & COUNTRY is a statistical review incorporating operating and financial data on private clubs. Data for year ending in 2016 was submitted by approximately 800 clubs. To participate in the 2017 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 made it easier to input the information, our survey size increased, and the results were easier to generate. We hope to continue our partnership and be able to develop even more valuable information for clubs. You may notice a few changes to the publication. This is to make the information easier to use in making comparisons to your club.

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.

May 1, 2017

To PKF Clients and Friends:

We are proud to continue the tradition of *Clubs in Town & Country* now in its 63rd year. This is the oldest and we believe the best benchmarking tool in the Club industry.

The major focus at all clubs continues to be on attracting new members. To that point clubs continue to expand their offerings to “keep pace” with the competition. We agree with those efforts but just as important is knowing your current members’ wishes. Staying connected to your members has never been more valuable.

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

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This 62nd 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 many clubs, 2016 was a banner year. They turned the corner and members started coming back. However, that result was not consistent across the board. The exclusive clubs' (A level clubs) recovery remains strong. However, in some areas, there are too many clubs and demand remains weak. From a changing demographic to fluctuations in the economy to a change in people's attitudes towards private clubs, many of these clubs continue to experience trials. The market is still oversaturated in some areas of the country. 2016 showed a net loss of 220 golf clubs with 230 closing and only 10 new ones opening. 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 developer owned to municipal courses to private equity investment. Several new players have surfaced in the last few years and they are changing the concept behind a club.

Clubs still have a revenue problem. While income per member continues to improve in both city and country clubs, neither are at the peak of spending which occurred almost 10 years ago. In fact, country clubs are at 81 percent of peak spending, while city clubs are at 75 percent.

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 and, with substantial debt (mainly student loans), are buying houses later. Finally, there seems to be a resurgence in moving to urban areas which generally does not lend itself to club membership. However, the successful clubs do reach this group by offering more than just a club, but rather a lifestyle. Unless the private club industry changes some of its membership policies, the pool of potential applicants will continue to contract. Clubs have to become more relevant with all the competition for the entertainment dollar.

As stated, the economy is improving and unemployment is below its record highs. In fact, one of the biggest concerns for the industry is finding and keeping good employees, particularly in the urban areas. Clubs are still reluctant to raise dues to required levels and initiation fees continue to be a problem. 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.

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 2016, increasing by 0.8 percent, but has dropped more than 10 percent over the last five years. City clubs also were stagnant with a loss of 0.1 percent.

One new trend we began tracking two 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 clubs and city clubs are at six percent this year which is a one percent increase for county clubs and a one percent decrease for city clubs from last year.

However, all is not totally bleak for private clubs. The President is a golf fan, owns several courses and understands the industry. Certain restrictive regulations impacting clubs likely will be rescinded. Membership spending increased, while expenses remained under control. As previously stated, the luxury market is recovering and healthy clubs remain healthy. ■

COUNTRY CLUBS

20-YEAR TREND OF INCOME AND EXPENSES

Income and expenses per member were a little higher in 2016. Revenue per member increased by about \$200, 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 106 percent from 1997 to 2016. Membership dues increased by 146 percent followed by a rise of 82 percent in food and beverage income and a sharp decrease in all other sales and income. During the same period, total costs and expenses rose 107 percent, as payroll and related costs increased 138 percent, and all other operating expenses rose 76 percent.

From 2007 to 2016, both revenue and expenses per member decreased. Revenue per member decreased about 20 percent, with the greatest drop in all other sales and income. Membership dues and food and beverage dropped around 12 percent.

Meanwhile, total costs and expenses dropped almost 22 percent. Payroll and related costs dropped about 14 percent and all other operating expenses were 32 percent less. On a positive note, for the seventh 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 80 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 11 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.



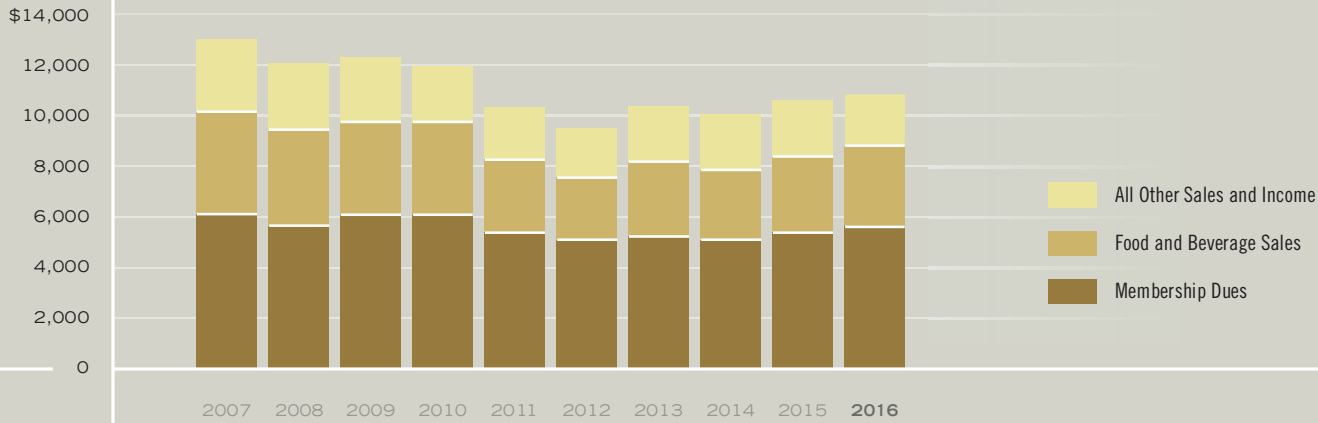
SOURCE OF INCOME PER MEMBER

YEAR	Membership dues	Food and beverage sales	All other sales and income	Total revenue
1997	2,299	1,769	1,087	5,155
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

DISPOSITION OF INCOME PER MEMBER

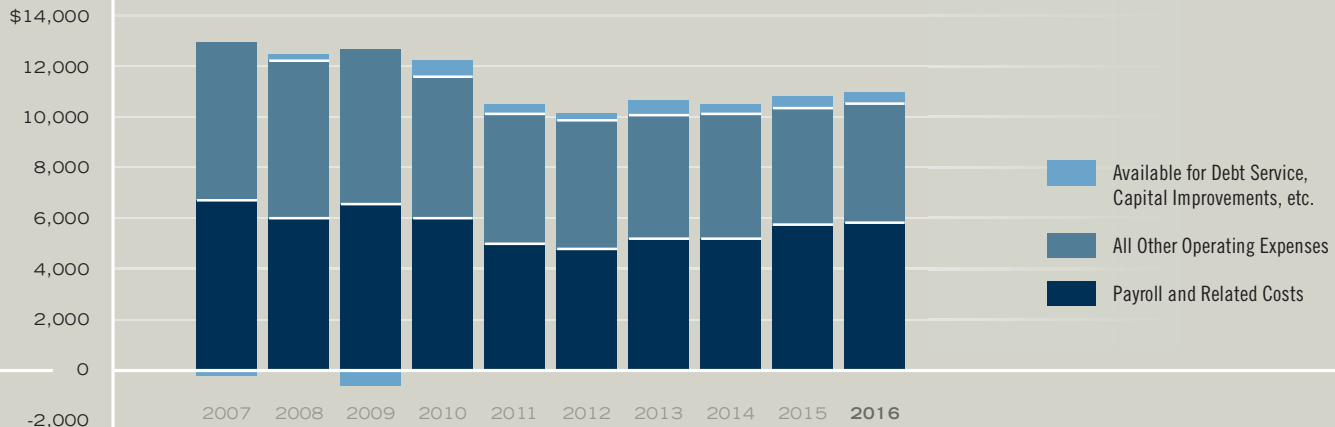
YEAR	Payroll and Related Costs	All Other Operating Expenses	Total Costs and Expenses	Available for Debt Service, Capital Improvements, etc.
1997	2,554	2,481	5,035	120
1998	3,048	2,852	5,900	0
1999	3,198	3,118	6,316	591
2000	3,833	6,166	7,999	472
2001	3,937	4,523	8,460	215
2002	5,373	4,621	9,994	-626
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

COUNTRY CLUBS



INCOME PER MEMBER OPERATING COST PER MEMBER

2016



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 2015, for every dollar of operating income received by a club, it spent 97 cents. For 2016, it was 98 cents. The increase was not a surprise as the additional costs that were expected in 2016, combined with the limited ability to raise dues to what is actually needed, put additional pressure on clubs. We expect more of the same in 2017. The additional costs range from increased competition for employees, a rise in the minimum wage in many states, the cost of water (particularly out West), and the costs associated with the Affordable Care Act which seems to be here for a while. On a positive note, regulation from government agencies may be on the decline.

The top level clubs are fine and many have a waiting list, although not as large as in the past. Other clubs have waiting lists to get out. However, as seen by our membership statistics that show an overall lack of substantive growth, many are still struggling. Looking at our turnover statistics, a 500-member club must replace 35 members before the benefit of additional dues comes into play. If you combine fewer new members with lower (or static) initiation fees, the pressure on capital budgets continues.

However, many more clubs seem to be willing to invest in their facilities. It is a combination of more committed members and the competition from clubs in the area that are driving improvements. To fund whatever capital improvements are done, clubs use a combination of debt, initiation fees, and income generated from operations. While approximately 65 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	Under 500	500 to 700	Over 700	East	Central	West
RATIO TO TOTAL INCOME							
SALES AND INCOME							
Operating Membership Dues	52.5%	53.0%	53.2%	52.4%	53.7%	49.7%	53.0%
Food and Beverage	31.2%	29.8%	32.4%	30.9%	30.2%	35.2%	29.7%
Golf	12.5%	14.7%	11.9%	11.5%	13.1%	11.4%	13.5%
Sports	2.1%	0.9%	1.0%	3.4%	1.5%	1.9%	2.2%
Other	1.7%	1.6%	1.5%	1.8%	1.5%	1.8%	1.6%
→ Total Income	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
DEPARTMENTAL EXPENSES							
Food and Beverage	33.3%	32.8%	35.6%	33.4%	33.9%	36.2%	32.4%
Golf	26.3%	33.1%	27.3%	24.9%	27.1%	24.8%	28.5%
Sports	5.3%	2.7%	4.0%	7.2%	6.0%	5.1%	5.1%
Other	5.6%	0.9%	2.5%	5.8%	1.5%	4.1%	5.6%
→ Total Departmental Expenses	70.5%	69.5%	69.4%	71.3%	68.5%	70.2%	71.6%
LESS UNAPPORTIONED EXPENSES							
General and Administrative	12.6%	14.8%	13.2%	11.9%	12.5%	12.6%	13.3%
Buildings	10.0%	9.3%	10.0%	11.7%	10.3%	10.9%	9.8%
Real Estate and Property Taxes and Insurance	5.3%	6.2%	5.7%	4.4%	5.4%	5.7%	4.3%
→ Total Unapportioned Expenses	27.9%	30.3%	28.9%	28.0%	28.2%	29.2%	27.4%
→ Total Expenses	98.4%	99.8%	98.3%	99.3%	96.7%	99.4%	99.0%
→ Balance	1.6%	0.2%	1.8%	0.7%	3.3%	0.5%	1.0%

COUNTRY CLUBS

RESTAURANT OPERATIONS

2016 was a difficult year for the food and beverage department. The loss from the department went up to 14 percent from just under 13 percent in 2015. The cost of goods sold for food and beverage stayed consistent from 2015 to 2016. Salary and wages dropped, but only by one percent. It is unlikely that this trend will continue as the overall competition for employees continues to increase. The continuation of the drought in many parts of the country made for higher expenses in the department.

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. 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 a source of controversy. However, 56 percent of the clubs surveyed do have minimums, consistent with prior years. 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 (87 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

	All Country Clubs	SIZE (MEMBERSHIPS)			GEOGRAPHIC DIVISION		
		Under 500	500 to 700	Over 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	42.7%	44.0%	42.9%	42.0%	43.2%	42.5%	41.7%
→ Food Gross Profit	57.3%	56.0%	57.1%	58.0%	56.8%	57.5%	58.3%
Beverage Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Beverage Costs	33.5%	32.1%	33.7%	33.6%	32.8%	32.9%	35.6%
→ Beverage Gross Profit	66.5%	67.9%	66.3%	66.4%	67.2%	67.1%	64.5%
Total Food and Beverage Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total Costs of Food and Beverage Sales	40.0%	40.9%	40.3%	39.5%	40.1%	39.5%	39.9%
→ Total Gross Food & Beverage Profit	60.0%	59.1%	59.7%	60.5%	59.9%	60.5%	60.1%
Payroll (Salary and Wages)	53.1%	52.3%	51.3%	54.0%	53.0%	50.7%	56.1%
Payroll Taxes and Benefits	11.4%	11.4%	11.0%	11.4%	11.3%	10.2%	13.2%
Other Expenses	9.7%	10.0%	9.4%	9.6%	9.7%	9.0%	11.0%
→ Total Expenses	74.2%	73.7%	71.8%	75.0%	74.0%	70.0%	80.3%
→ Net Income (Loss)	(14.2)%	(14.6)%	(12.0)%	(14.5)%	(14.1)%	(9.4)%	(20.2)%

COUNTRY CLUBS

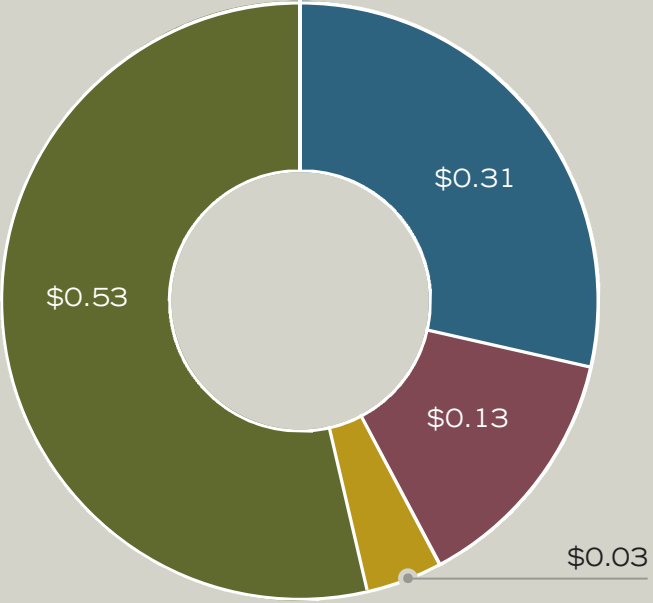
ANNUAL OPERATING COST PER MEMBER



ANNUAL OPERATING COST PER MEMBER BY SIZE AND GEOGRAPHIC DIVISION

	All Country Clubs	SIZE (MEMBERSHIPS)			GEOGRAPHIC DIVISION		
		Under 500	500 to 700	Over 700	East	Central	West
INCOME AND EXPENSES PER MEMBER							
SALES AND INCOME							
Operating Membership Dues	\$5,674	\$5,789	\$5,336	\$5,465	\$5,556	\$5,087	\$5,706
Food and Beverage	\$3,233	\$3,254	\$3,256	\$3,215	\$3,115	\$3,607	\$3,200
Golf	\$1,325	\$1,611	\$1,191	\$1,194	\$1,353	\$1,171	\$1,460
Sports	\$220	\$100	\$103	\$359	\$156	\$190	\$235
Other	\$179	\$180	\$152	\$187	\$159	\$189	\$175
→ Total Income	\$10,631	\$10,934	\$10,038	\$10,421	\$10,338	\$10,244	\$10,775
DEPARTMENTAL EXPENSES							
Food and Beverage	\$3,532	\$3,585	\$3,575	\$3,491	\$3,510	\$3,706	\$3,487
Golf	\$2,800	\$3,615	\$2,743	\$2,595	\$2,806	\$2,542	\$3,078
Sports	\$567	\$298	\$399	\$746	\$615	\$521	\$548
Other	\$600	\$100	\$250	\$600	\$150	\$425	\$600
→ Total Departmental Expenses	\$7,499	\$7,598	\$6,967	\$7,432	\$7,081	\$7,194	\$7,713
LESS UNAPPORTIONED EXPENSES							
General and Administrative	\$1,343	\$1,616	\$1,324	\$1,239	\$1,295	\$1,290	\$1,435
Buildings	\$1,065	\$1,020	\$1,002	\$1,218	\$1,065	\$1,117	\$1,060
Real Estate and Property Taxes and Insurance	\$559	\$680	\$569	\$462	\$559	\$586	\$468
→ Total Unapportioned Expenses	\$2,966	\$3,316	\$2,895	\$2,919	\$2,918	\$2,993	\$2,963
→ Total Expenses	\$10,465	\$10,914	\$9,862	\$10,351	\$10,000	\$10,187	\$10,676
→ Balance	\$166	\$20	\$176	\$70	\$339	\$56	\$100

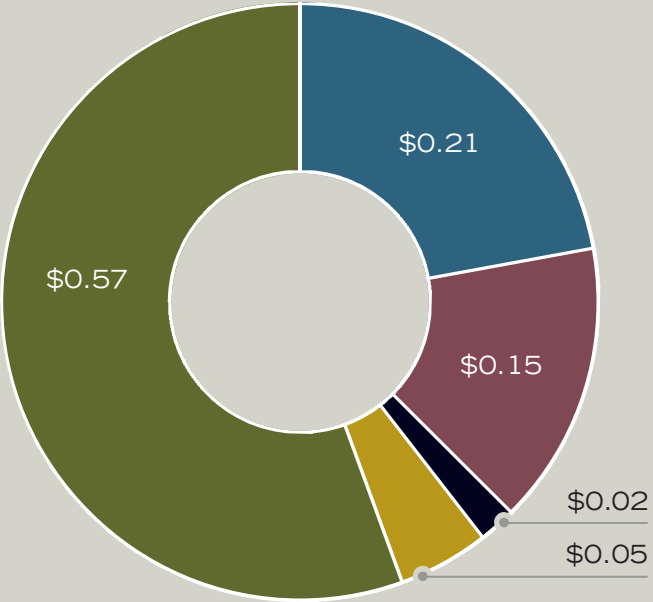
COUNTRY CLUBS



2016 INCOME \$
(TOTAL = \$1.00)

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

COUNTRY CLUB INCOME AND WHERE IT WENT 2016



2016 EXPENSES \$
(TOTAL = \$1.00)

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

COUNTRY CLUBS



MEMBERSHIP DATA AND PAYROLL STATISTICS

Clubs are in the dues business. Dues for members continue to rise. For many years, dues did not increase to the extent necessary to fund the club appropriately. In 2016, dues increased approximately five percent for the second year in a row. This is higher than it has been for a number of years. From discussions with a number of clubs, it looks like most were budgeting a three to eight percent increase. One hopeful sign is that dues as a percentage of total revenue increased one percent to 53 percent of a club's revenue. This is consistent with the 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 2015 and take 57 cents of every dollar received.

MEMBERSHIP DATA & PAYROLL STATISTICS BY SIZE AND GEOGRAPHIC DIVISION

	All Country Clubs	SIZE (MEMBERSHIPS)			GEOGRAPHIC DIVISION		
		Under 500	500 to 700	Over 700	East	Central	West
MEMBERSHIP DATA							
Full Membership Turnover Percentage	6.0%	7.0%	7.0%	4.0%	5.0%	6.0%	6.0%
Variation in Membership	0.8%	-0.3%	0.5%	1.2%	1.0%	1.3%	-0.8%
Average Annual Dues Rate							
Current Year	\$7,956	\$7,995	\$7,833	\$7,620	\$8,104	\$7,368	\$8,790
Prior Year (from prior Trends report)	\$7,559	\$8,700	\$7,715	\$7,091	\$7,670	\$6,840	\$8,604
PAYROLL STATISTICS							
Payroll Statistics per all Operating Revenue Excluding Dues							
Food and Beverage	33.5%	32.5%	33.9%	32.5%	33.3%	34.6%	32.7%
Golf Operations	29.4%	32.9%	28.1%	25.2%	29.5%	26.2%	32.5%
Sports	5.0%	3.8%	4.2%	8.8%	5.9%	4.7%	4.8%
→ SubTotal	67.9%	69.3%	66.2%	66.6%	68.7%	65.4%	70.0%
→ All Other Departments	21.6%	20.3%	21.2%	22.9%	22.1%	19.8%	23.5%
→ Total Club Payroll	89.5%	89.5%	87.4%	89.5%	90.8%	85.2%	93.4%
Total Payroll Tax and Benefits	18.8%	17.4%	18.7%	18.9%	18.5%	17.1%	21.9%
→ Total Payroll and Related Costs	108.3%	107.9%	106.1%	108.4%	109.3%	102.3%	115.3%

COUNTRY CLUBS

GOLF COURSE EXPENSES

Total golf course expenses in 2016 were approximately two percent higher than 2015. The cost is approximately \$63,000 per hole, which is about a 12 percent drop from five years ago. The West continues to lead the way in this with its costs more than \$11,000 higher per hole than the average. 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 usage in the West. The West has approximately 30 percent more rounds per 18 holes than the other two regions. Average rounds stayed constant, but the West had about a 7 percent drop. The average cost per round increased by two dollars from 2014. While a number of articles have indicated that average rounds per 18 holes have increased, our numbers show that the improvement is very regional. ■



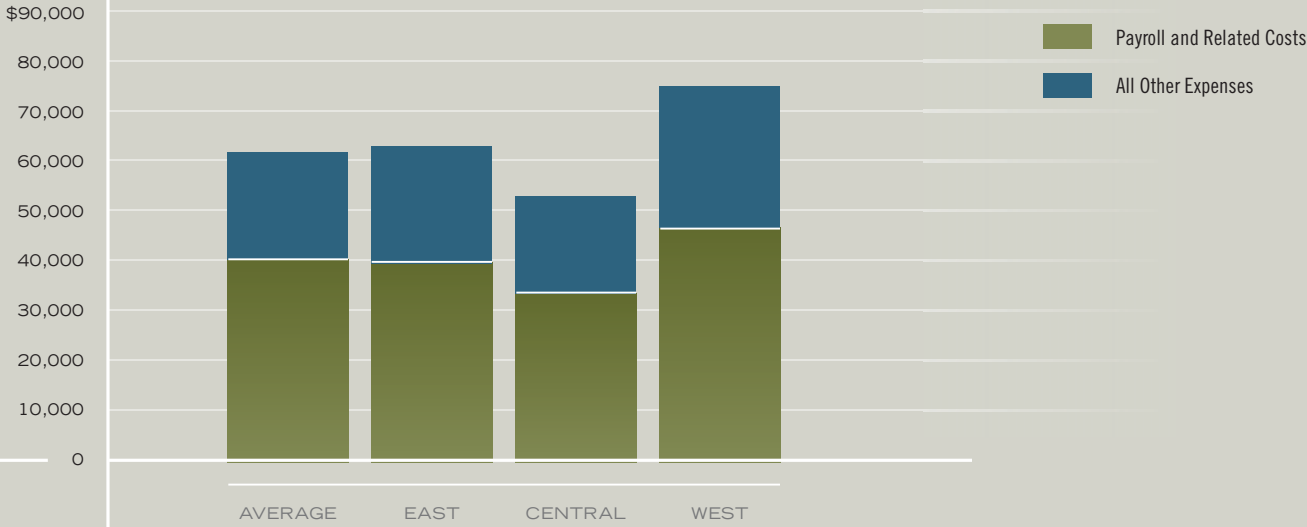
GOLF COURSE EXPENSES BY SIZE AND GEOGRAPHIC DIVISION

	All Country Clubs	SIZE (MEMBERSHIPS)			GEOGRAPHIC DIVISION		
		Under 500	500 to 700	Over 700	East	Central	West
COURSE MAINTENANCE							
AVERAGE COST PER HOLE							
Salary and Wages	\$33,732	\$27,428	\$30,430	\$38,484	\$33,672	\$29,264	\$38,090
Payroll Taxes and Benefits	\$6,840	\$4,810	\$6,453	\$7,740	\$6,959	\$5,772	8,905
Supplies and Contracts	\$14,170	\$11,622	\$12,692	\$15,643	\$14,692	\$11,211	\$17,688
Other Expenses	\$8,543	\$6,955	\$8,391	\$9,724	\$8,609	\$7,386	\$10,042
→ Total Expenses	\$63,285	\$50,816	\$57,966	\$71,592	\$63,932	\$53,633	\$74,724
AVERAGE COST PER ROUND							
Salary and Wages	\$32	\$30	\$29	\$33	\$33	\$31	\$29
Payroll Taxes and Benefits	\$6	\$6	\$5	\$7	\$6	\$7	\$6
Supplies and Contracts	\$14	\$16	\$13	\$15	\$14	\$14	\$16
Other Expenses	\$8	\$8	\$8	\$9	\$8	\$9	\$7
→ Total Expenses	\$61	\$61	\$54	\$64	\$62	\$61	\$58
Average rounds per 18 holes	19,070	15,359	19,155	21,451	17,590	15,872	24,790

COUNTRY CLUBS



AVERAGE COST PER HOLE 2016



The picture of the club industry
continues to evolve. From an industry dominated
by member owned private clubs, many more
participants are now involved.



20-YEAR TREND OF INCOME AND EXPENSES

Total city club revenue per member increased 104 percent from 1997 to 2016. Membership dues rose 126 percent with a 75 percent rise in food and beverage sales and a 142 percent increase in all other sales and income. Meanwhile, total costs and expenses rose 101 percent, as payroll and related costs increased 136 percent, and all other operating expenses rose 64 percent.

2007 was a good year for city clubs. Using that as a benchmark, total revenue per member decreased 15 percent between 2007 and 2016. Membership dues dropped six percent, while revenue from food and beverage sales dropped seven percent and other income declined 41 percent. For the same period, total costs and expenses decreased 20 percent, as payroll and related costs dropped more than 20 percent and all other operating expenses by about 21 percent. It is interesting to note how low the growth rate has been in city clubs. While revenue per member is the highest since 2009, over the last ten years, it has decreased more than 18 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 percent of gross revenue from nonmember use of the club's facilities also was higher. The average nonmember usage was 13 percent with several clubs reporting in above that number. Much of the nonmember usage comes from rooms.



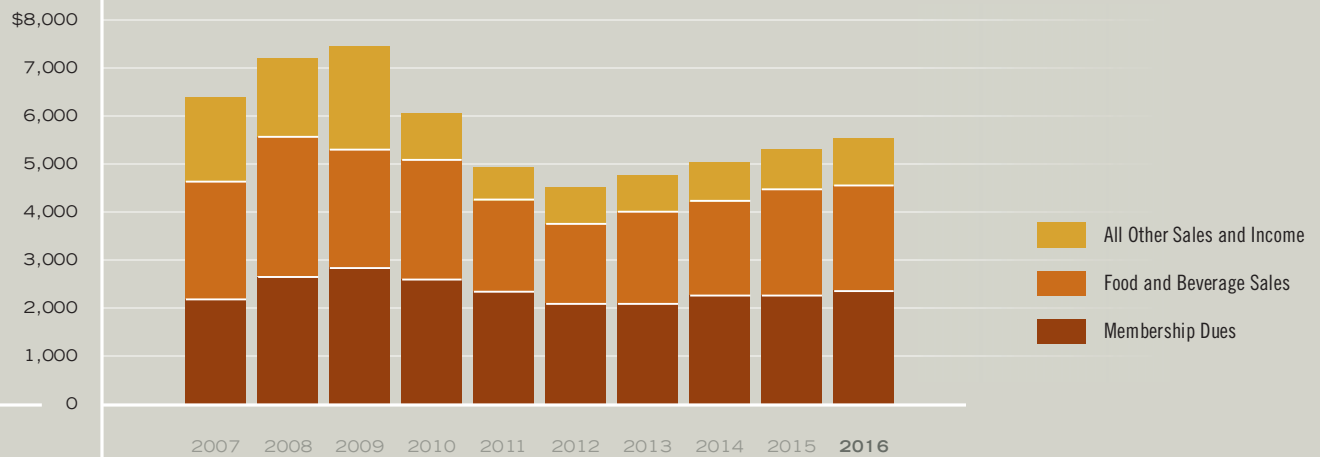
SOURCE OF INCOME PER MEMBER

YEAR	Membership dues	Food and beverage sales	All other sales and income	Total revenue
1997	996	1,253	395	2,644
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

DISPOSITION OF INCOME PER MEMBER

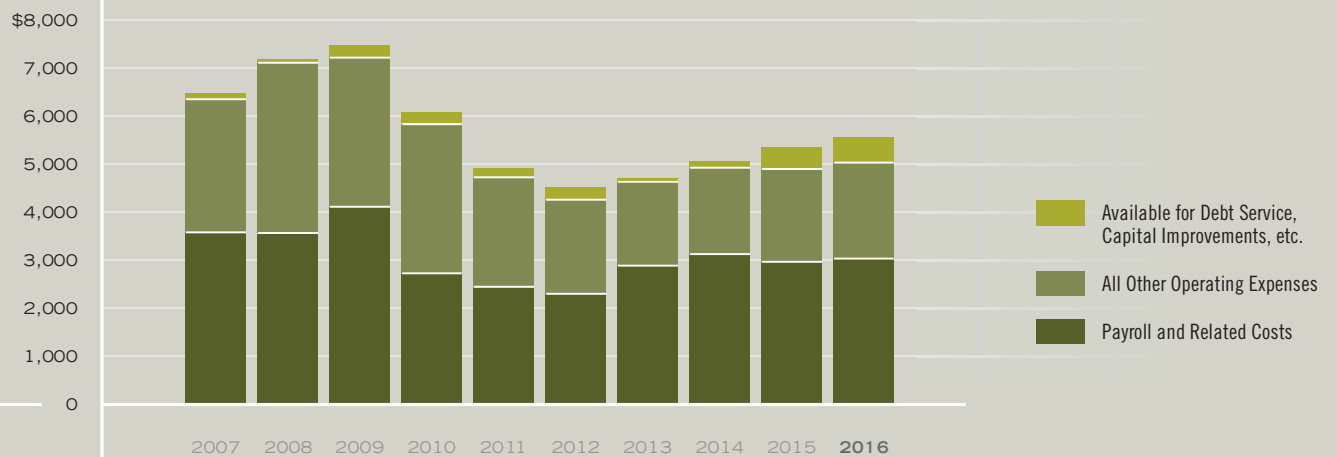
YEAR	Payroll and Related Costs	All Other Operating Expenses	Total Costs and Expenses	Available for Debt Service, Capital Improvements, etc.
1997	1,249	1,261	2,510	134
1998	1,305	1,554	2,859	153
1999	1,401	1,681	3,082	388
2000	1,912	3,519	5,431	732
2001	1,570	3,310	4,880	273
2002	2,577	2,234	4,811	-80
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

CITY CLUBS



INCOME PER MEMBER OPERATING COST PER MEMBER

2016



CITY CLUBS

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. While it is still 30 percent less than its peak in 2009, it is showing a 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 women and to families moving back to the cities.

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 usual. One popular

amenity is the establishment of outside patios and bars, including rooftop facilities.

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 the most aggressive.



RESULTS OF OPERATIONS BY SIZE AND GEOGRAPHIC DIVISION

	FISCAL YEAR 2016					
	All City Clubs	1800 and Fewer	More than 1800	East	Central	West
RATIO TO TOTAL INCOME						
SALES AND INCOME						
Operating Membership Dues	42.0%	45.0%	32.0%	44.0%	38.0%	41.0%
Food and Beverage	41.0%	38.0%	43.0%	37.0%	35.0%	35.0%
Rooms	6.0%	5.0%	12.0%	8.0%	12.0%	8.0%
Sports	9.0%	10.0%	9.0%	9.0%	12.0%	14.0%
Other Income	2.0%	3.0%	3.0%	2.0%	3.0%	2.0%
→ Total Income	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
DEPARTMENTAL EXPENSES						
Food and Beverage	37.0%	47.0%	36.0%	36.0%	42.0%	40.0%
Rooms	7.0%	4.0%	8.0%	7.0%	5.0%	7.0%
Sports	16.0%	18.0%	13.0%	11.0%	15.0%	13.0%
→ Total Departmental Expenses	60.0%	68.0%	58.0%	54.0%	62.0%	59.0%
LESS UNAPPORTIONED EXPENSES						
General and Administrative	16.0%	17.0%	17.0%	14.0%	16.0%	17.0%
Buildings	13.0%	13.0%	12.0%	13.0%	10.0%	13.0%
Real Estate and Property Taxes and Insurance	4.0%	2.0%	4.0%	4.0%	8.0%	6.0%
→ Total Unapportioned Expenses	34.0%	32.0%	32.0%	31.0%	35.0%	34.0%
→ Total Expenses	94.0%	100.0%	90.0%	85.0%	97.0%	93.0%
→ Balance	6.0%	0.0%	10.0%	15.0%	3.0%	7.0%

DEPARTMENTAL OPERATIONS

Dues income took its rightful place back from food and beverage as the largest revenue source for city clubs. 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 consistent with 2015. The worst performance occurred in the clubs in the West region. City clubs are beginning to understand what country clubs have known for a long time: 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 60 percent of every food and beverage dollar received by the club.

City clubs have dealt with the issue of food and beverage

minimums for a number of years. Approximately 70 percent of the clubs reported having some form of minimum. Of these, 80 percent include any unused minimum, if substantial, in other income.

Eighty 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 have both, mainly at the larger clubs. 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, slightly higher than last year. The total dollars increased, mainly from higher occupancy. Room rates continue to improve, but are still not back to 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 Fewer	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 Cost	40.0%	40.0%	34.0%	41.0%	39.0%	39.0%
→ Food Gross Profit	60.0%	60.0%	66.0%	59.0%	61.0%	61.0%
Beverage Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Beverage Costs	32.0%	34.0%	31.0%	30.0%	31.0%	35.0%
→ Beverage Gross Profit	68.0%	66.0%	69.0%	70.0%	69.0%	65.0%
Total Food and Beverage Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total Cost of Food and Beverage Sales	38.0%	38.0%	32.0%	38.0%	37.0%	37.0%
→ Total Gross Food and Beverage Profit	62.0%	62.0%	68.0%	62.0%	63.0%	63.0%
Payroll (Salary and Wages)	54.0%	56.0%	48.0%	52.0%	54.0%	57.0%
Payroll Taxes and Benefits	13.0%	12.0%	14.0%	13.0%	13.0%	16.0%
Other Expenses	9.0%	9.0%	7.0%	9.0%	9.0%	9.0%
→ Total Expenses	76.0%	77.0%	69.0%	74.0%	72.0%	83.0%
→ Net Income	-14.0%	-16.0%	-1.0%	-12.0%	-9.0%	-20.0%
ROOMS DEPARTMENT						
Room Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
DEPARTMENTAL EXPENSES						
Payroll (Salary and Wages)	27.0%	21.0%	29.0%	26.0%	28.0%	28.0%
Payroll Taxes and Benefits	10.0%	9.0%	11.0%	11.0%	10.0%	10.0%
Other	10.0%	9.0%	8.0%	10.0%	13.0%	11.0%
→ Total Expenses	47.0%	39.0%	48.0%	47.0%	51.0%	49.0%
→ Net Income	53.0%	61.0%	52.0%	53.0%	49.0%	51.0%

MEMBERSHIP DATA AND PAYROLL STATISTICS

Similar to country clubs, membership dues continue to rise. In 2016, dues were raised more than five 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 West increasing by almost 12 percent. What is hopeful, however, is that dues revenue was 42 percent of operating revenue. This represents a four percent increase from 2015 and is more in line with historical norms.

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

moving forward which is why it remains a major concern for clubs. With the push to increase the minimum wage, often on a city by city basis, and the additional cost expected, clubs' salary costs are under pressure.

Employee costs continue to be the largest expense of a club. City clubs did a good job in 2016. Payroll as a percentage of revenue other than dues increased in 2016. However, salary and wages as a percentage of every dollar taken in decreased. Labor is, to a certain extent, a controllable expense. It is an area where great strides have been made, but further cuts will impact services. ■



MEMBERSHIP DATA AND PAYROLL STATISTICS BY SIZE AND GEOGRAPHIC DIVISION

	All City Clubs	SIZE (MEMBERSHIPS)		GEOGRAPHIC DIVISION		
		1800 and Fewer	More than 1800	East	Central	West
MEMBERSHIP DATA						
Full Membership Turnover Percentage	6.0%	6.0%	7.0%	7.0%	6.0%	5.0%
Variation in Membership	-0.1%	0.0%	-0.1%	-0.4%	1.5%	-0.5%
Average Annual Dues Rate						
Current Year	\$3,250	\$3,240	\$3,175	\$3,300	\$2,704	\$3,440
Prior Year (from prior Trends report)	\$3,000	\$2,820	\$3,150	\$3,025	\$2,750	\$3,075
PAYROLL STATISTICS						
Payroll Statistics per all Operating Revenue Excluding Dues						
Food and Beverage	36.0%	40.0%	31.0%	39.0%	33.0%	37.0%
Rooms	4.0%	4.0%	6.0%	5.0%	4.0%	3.0%
Sports	16.0%	21.0%	16.0%	14.0%	19.0%	8.0%
→ SubTotal	56.0%	65.0%	53.0%	58.0%	56.0%	48.0%
→ All Other Departments	30.0%	29.0%	31.0%	28.0%	32.0%	29.0%
→ Total Club Payroll	86.0%	94.0%	84.0%	86.0%	88.0%	77.0%
Total Payroll Tax and Benefits	18.0%	17.0%	20.0%	17.0%	17.0%	21.0%
→ Total Payroll and Related Costs	104.0%	111.0%	104.0%	103.0%	105.0%	98.0%

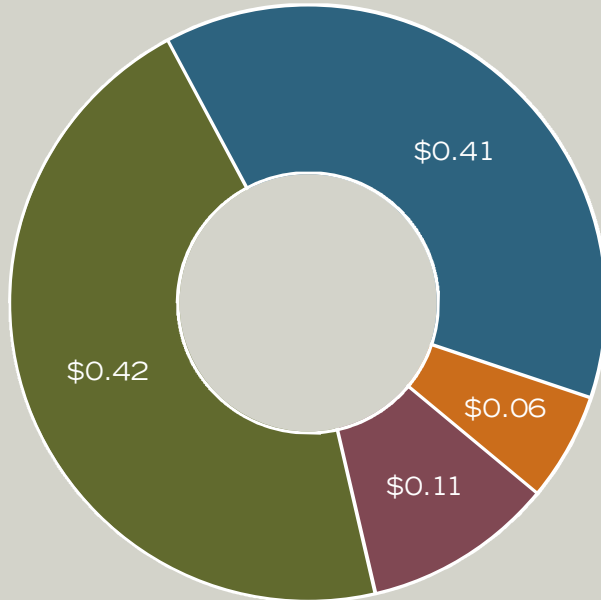
ANNUAL OPERATING COST PER MEMBER



ANNUAL OPERATING COST PER MEMBER BY SIZE AND GEOGRAPHIC DIVISION

	SIZE (MEMBERSHIPS)			GEOGRAPHIC DIVISION		
	All City Clubs	1800 and Fewer	More than 1800	East	Central	West
INCOME AND EXPENSES PER MEMBER						
SALES AND INCOME						
Operating Membership Dues	\$2,251	\$2,588	\$1,663	\$2,281	\$2,188	\$2,590
Food and Beverage	\$2,202	\$2,180	\$2,220	\$1,958	\$2,028	\$2,191
Rooms	\$341	\$317	\$598	\$406	\$681	\$491
Sports	\$502	\$607	\$485	\$478	\$707	\$869
Other	\$116	\$112	\$157	\$113	\$208	\$188
→ Total Income	\$5,412	\$5,805	\$5,123	\$5,236	\$5,812	\$6,329
DEPARTMENTAL EXPENSES						
Food and Beverage	\$1,920	\$2,700	\$1,945	\$1,881	\$2,700	\$2,524
Rooms	\$384	\$231	\$432	\$384	\$300	\$405
Sports	\$893	\$762	\$538	\$572	\$973	\$812
Other	\$24	\$0	\$68	\$1	\$51	\$17
→ Total Departmental Expenses	\$3,221	\$3,693	\$2,983	\$2,837	\$4,024	\$3,758
LESS UNAPPORTIONED EXPENSES						
General and Administrative	\$878	\$982	\$848	\$748	\$949	\$1,065
Buildings	\$711	\$769	\$601	\$676	\$606	\$803
Real Estate and Property Taxes and Insurance	\$243	\$341	\$213	\$213	\$464	\$398
→ Total Unapportioned Expenses	\$1,831	\$2,092	\$1,662	\$1,637	\$2,019	\$2,266
→ Total Expenses	\$5,052	\$5,785	\$4,645	\$4,474	\$6,043	\$6,024
→ Balance	\$360	\$20	\$478	\$761	\$(231)	\$304

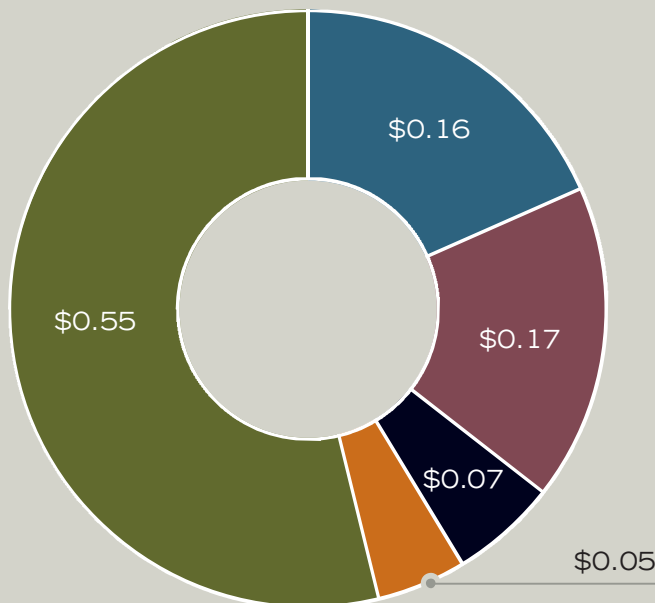
CITY CLUBS



2016 INCOME \$
(TOTAL = \$1.00)

- Dues
- Food and Beverage
- Rooms
- Other

CITY CLUB INCOME AND WHERE IT WENT 2016



2016 EXPENSES \$
(TOTAL = \$1.00)

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

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