



Understanding The Balance Sheet: 2005 Survey Results

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I. Overview of Session

- ◆ Brief review of financial scoreboards
- ◆ Ratio analysis fundamentals
- ◆ Survey
 - ☞ Demographics of respondents
 - ☞ Median financial numbers
 - ☞ Ratio results
 - ☞ Most useful ratios
- ◆ Summary/Conclusions



II. Financial Scoreboards

- ◆ Balance Sheet

- ☛ Assets

- ☛ Current

- ☛ Noncurrent



II. Financial Scoreboards

- ◆ Balance Sheet

- ☛ Liabilities

- ☛ Current

- ☛ Noncurrent

- ☛ Equity

Balance Sheet – USFRC

STATEMENT OF FINANCIAL POSITION (Insert period ended)

ASSETS

Exhibit A

	<u>Current Year</u>	<u>Prior Year</u>
CURRENT ASSETS		
Cash and Cash Equivalents		
Short Term Investments		
Receivables:		
Accounts Receivable – members		
Notes and deferred initiation fees receivable		
Current portion of Noncurrent Receivable		
Other Receivables		
Total Receivables	_____	_____
Less Allowance for Doubtful Accounts		
Net Receivables	_____	_____
Inventories		
Prepaid Expenses		
Other Current Assets		
TOTAL CURRENT ASSETS	_____	_____
NONCURRENT RECEIVABLES NET OF		
CURRENT PORTION		
DESIGNATED ASSETS		
INVESTMENTS – LONG-TERM		

PROPERTY & EQUIPMENT

Land		
Golf Course and Golf Course Improvements		
Construction in progress		
Leasehold and Leasehold Improvements		
Buildings and Building Improvements		
Furniture, Fixtures and Equipment		
China, Glassware, Silver, Linen and Uniforms		
Total Property and Equipment	_____	_____
Less: Accumulated Depreciation and Amortization	_____	_____
Net Property and Equipment	_____	_____
OTHER ASSETS		
Security Deposits		
Deferred Charges		
Other		
Total Other Assets	_____	_____
TOTAL ASSETS	_____	_____

STATEMENT OF FINANCIAL POSITION
(Insert period ended)
LIABILITIES AND NET ASSETS

Exhibit A

	<u>Current Year</u>	<u>Prior Year</u>
CURRENT LIABILITIES		
Notes Payable		
Accounts Payable		
Taxes Payable and Accrued		
Accrued Expenses		
Current portion of long-term debt		
Deferred Revenue		
Deferred Income Taxes – Current		
Special Purpose Funds		
Other Current Liabilities		
Total Current Liabilities	_____	_____
LONG-TERM DEBT		
Notes Payable, Net of Current Maturity		
Obligations under Capital Lease, Net of Current Maturity		
Mortgage, Payable, Net of Current Maturity		
Total Long-Term Debt		
Other Long-Term Liabilities		
Deferred Income Taxes – Noncurrent		
Obligations to Members		
Total Other Long-Term Liabilities	_____	_____
TOTAL LIABILITIES	_____	_____
Unrestricted Net Assets (Members' Equity)		
Capital Stock		
Designated		
Undesignated		
TOTAL UNRESTRICTED NET ASSETS	_____	_____
TOTAL LIABILITIES AND NET UNRESTRICTED ASSETS	_____	_____

Income Statement

- Revenue
- Department expenses
- Clubhouse operating income
- Undistributed operating expenses
- Fixed charges
- Income taxes
- Results of operations
- Other activities
- Income (decrease) in members' equity

Income Statement – USFRC

COUNTRY CLUB STATEMENT OF ACTIVITIES (IN DEPARTMENTAL FORM)

	Schedule	Exhibit D-2 Period Ended	
		\$	\$
Membership revenue			
Membership dues			
Initiation fees			
Total membership revenue		_____	_____
Cost of sports activities			
Golf operations income (loss)	E		
Less golf course maintenance	G		
Golf shop	F		
Net golf profit (expense)		_____	_____
Racquet sports	H		
Racquet shop	I		
Aquatic sports	J		
Other sports			
Net cost of sports activities		_____	_____
Membership revenue available for clubhouse operations and fixed charges		_____	_____
Clubhouse operating income (loss)			
Food	A		
Beverage	B		
Entertainment	C		
Overnight rooms	D		
Locker rooms	L		
Other operating departments	N		
Rentals and other revenue	O		
Total clubhouse operating income (loss)		_____	_____

Undistributed operating expenses			
Administrative and general	P		
Clubhouse	Q		
Facility maintenance	R		
Energy costs	R		
Total undistributed operating expenses		_____	_____
Clubhouse operations and undistributed operating expenses		_____	_____
Income before fixed charges		_____	_____
Fixed charges	S		
Real estate taxes			
Insurance			
Interest			
Depreciation and amortization			
Total fixed expenses		_____	_____
Income (loss) before income taxes		_____	_____
Provision for income taxes		_____	_____
Results of operations	S	\$ _____	\$ _____
Other activities			
Initiation fees			
Capital charges			
Special assessments			
Investment income			
Other		_____	_____
Increase (decrease) in unrestricted net assets (members' equity)		_____	_____
Unrestricted net assets, beginning of period			
Unrestricted net assets, end of period		\$ _____	\$ _____

Statement of Cash Flows

- ◆ Operating activities
- ◆ Investing activities
- ◆ Financing activities

Statement of Cash Flows – USFRC

(INDIRECT APPROACH)

Exhibit C

Cash flows from operating activities	\$
Increase (decrease) in unrestricted net assets	
Adjustments to reconcile increase (decrease) in net assets to	
net cash provided (used) by operating activities	
Depreciation and amortization	
Deferred income taxes	
Revenue designated for capital replacements and	
improvements	
(Gains) losses on sales of investments	
(Increase) decrease in assets	
Accounts receivable	
Inventories	
Prepaid expenses	
Other current assets	
Security deposits	
Increase (decrease) in liabilities	
Accounts payable	
Taxes payable and accrued	
Accrued expenses	
Deferred revenue	
Special purpose funds	
Other current liabilities	
Net cash provided (used) by operating activities	_____

Cash flows from investing activities	
Deposits to designated assets	
Expenditures for property and equipment	
Purchases of investments	
Redemption of investments	
Net cash provided (used) by investing activities	_____
Cash flows from financing activities	_____
Revenue designated for capital replacement and improvements	
Proceeds of debt	
Repayment of debt	
Capital stock (Membership certificates) sold	
Capital stock (Membership certificates) redeemed	
Net cash provided (used) by financing activities	_____
Increase (decrease) in cash and cash equivalents	_____
Cash and cash equivalents, beginning of period	_____
Cash and cash equivalents, end of period	\$ _____
Supplemental disclosure of cash flow information:	
Interest paid during the year	\$ _____
Income taxes paid during the year	\$ _____
See notes to financial statements.	

Ratio Analysis Fundamentals

- ◆ Purpose?
- ◆ When?
- ◆ Who?
- ◆ How?



Ratio Expressions

- ◆ \$\$
- ◆ % %
- ◆ Times



Classes of Ratios

- ◆ Liquidity
- ◆ Solvency
- ◆ Activity
- ◆ Profitability
- ◆ Operations



Major Ratios

- ◆ Liquidity
 - ☞ Current ratio
 - ☞ Average collection period



Solvency Ratios

- ☞ Debt-equity
- ☞ Times interest earned



Activity Ratios

- ◆ Asset turnover
- ◆ Occupancy percentage (Rooms Operation)
- ◆ Inventory turnover
 - ☞ Food
 - ☞ Beverage
 - ☞ Golf merchandise



Profitability

- ◆ Profit margin
- ◆ Return on assets
- ◆ Operating efficiency ratio



Operations

- ◆ Cost of food sold %
- ◆ Cost of beverage sold %
- ◆ Cost of payroll %



Survey Results

- ☎ Demographics
- ☎ Median financial members
- ☎ Ratio results
- ☎ Most useful ratios



Survey Sample/Response

600 CMAA members

88 responses

Response rate: 14.7%



Title of Respondents

Controller:	51%
GM:	33%
Asst. GM:	3%
Others:	<u>14%</u>
Total	<u>100%</u>


Type of Club	
Country	65%
City	10
Golf	9
Other	<u>16</u>
Total	<u>100%</u>

Number of Members	
< 300	5%
300-500	17
501-750	28
751-1000	19
1001-1500	12
1501-2000	10
> 2000	<u>9</u>
Total	<u>100%</u>




Location of Club

East	43%
Central	42
West	<u>15</u>
Total	<u>100%</u>




Median Amounts – Current Assets

Cash	\$492,800
Accounts receivables	529,700
Food inventory	25,900
Beverage inventory	37,000
Golf inventory	103,100
Other current assets	<u>122,000</u>
Total current assets	<u>\$1,504,000</u>



Median Amounts – Noncurrent Assets

Property and equipment	\$ 9,874,600
Accumulated depreciation	<u><4,481,400></u>
Net property and equipment	<u>\$ 5,393,200</u>
Total assets	<u>\$ 8,340,400</u>



Median Amounts – Liabilities and Equity

Current liabilities	\$1,011,800
Long-term liabilities	\$1,771,200
Members' equity	\$4,943,100



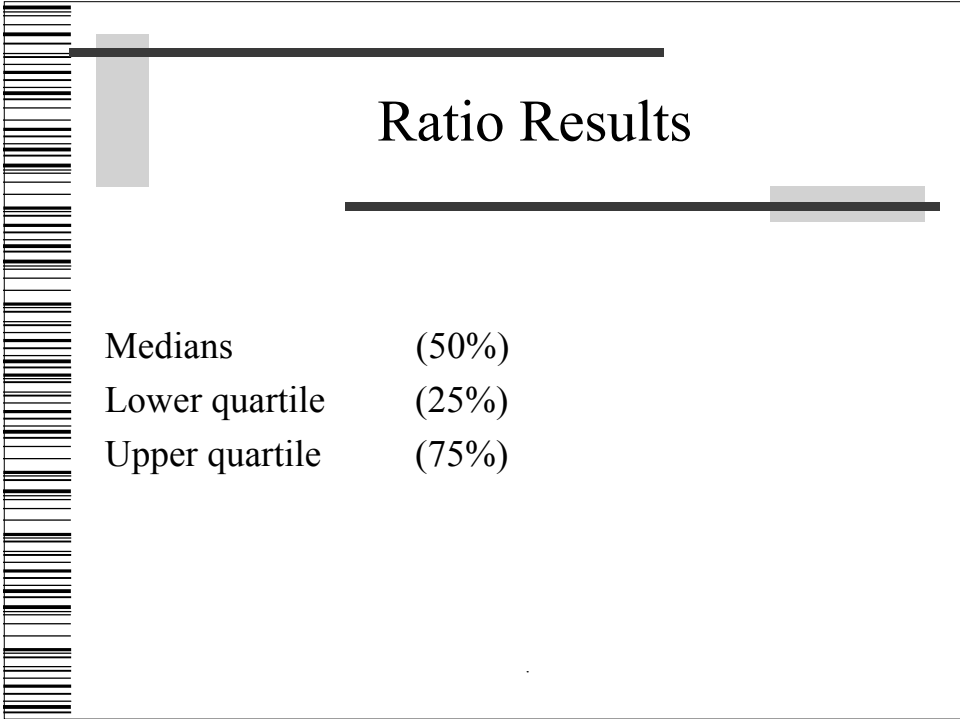
Median Amounts – Revenues

Dues	\$2,237,500
Food sales	1,200,100
Beverage sales	436,200
Pro shop sales	595,400
Other revenues	660,400
Total revenues	4,902,800



Median Amounts – Expenses

Cost of food used	\$ 466,400
Cost of beverage sold	131,800
Cost of golf merchandise sold	256,700
Payroll expenses	2,415,700
Interest expense	72,400
Depreciation expense	484,300
Rent expense (n = 20)	40,400
Property insurance	78,300
Property taxes	118,500
Net income	101,800
Operating cash flows	421,200



Focus on Liquidity

Current Ratio		<u>M</u>	<u>LQ</u>	<u>UQ</u>
<u>Current Assets</u>	December 2004	1.42	0.91	2.51
Current Liabilities	December 2005	1.53	0.98	2.34

Accounts Receivable T/O	<u>M</u>	<u>LQ</u>	<u>UQ</u>
$\frac{\text{Total Revenue}}{\text{Average A/R}}$	10.14 times	6.60 times	14.17
Average Collection Period			
$\frac{365}{\text{AR T/O}}$	=	36 days	55 days
		26	
		days	


Operating Cash Flows to Current Liabilities	<u>M</u>	<u>LQ</u>	<u>UQ</u>
$\frac{\text{OCF}}{\text{Average CL}}$	0.34	0.08	.80

Liquidity of the Clubs


Current ratio: relatively good
Average collection period: good
OCF to CL: low

Focus on Solvency


Operating Cash Flows to Long-term Debt	<u>M</u>	<u>LQ</u>	<u>UQ</u>
$\frac{OCF}{LTD}$	0.18	0.04	1.38




Long-term Debt to Total Capitalization		<u>M</u>	<u>LQ</u>	<u>UQ</u>
LTD	December 2004	0.18	0.06	0.37
<u>LTD + Members' Equity</u>	December 2005	0.21	0.08	0.43



Debt Equity Ratio		<u>M</u>	<u>LQ</u>	<u>UQ</u>
<u>Total Debt</u>	December 2004	0.22	0.06	0.58
Members' Equity	December 2005	0.27	0.08	0.77



Times Interest Earned	<u>M</u>	<u>LQ</u>	<u>UQ</u>
$\frac{\text{EBIT}}{\text{Interest Expense}}$	1.52 times	-0.37 times	6.20



Fixed Charge Coverage	<u>M</u>	<u>LQ</u>	<u>UQ</u>
$\frac{\text{EBITR}}{\text{Interest and Rent Expense}}$	1.43 times	-0.36 times	4.64 times

Solvency of Clubs

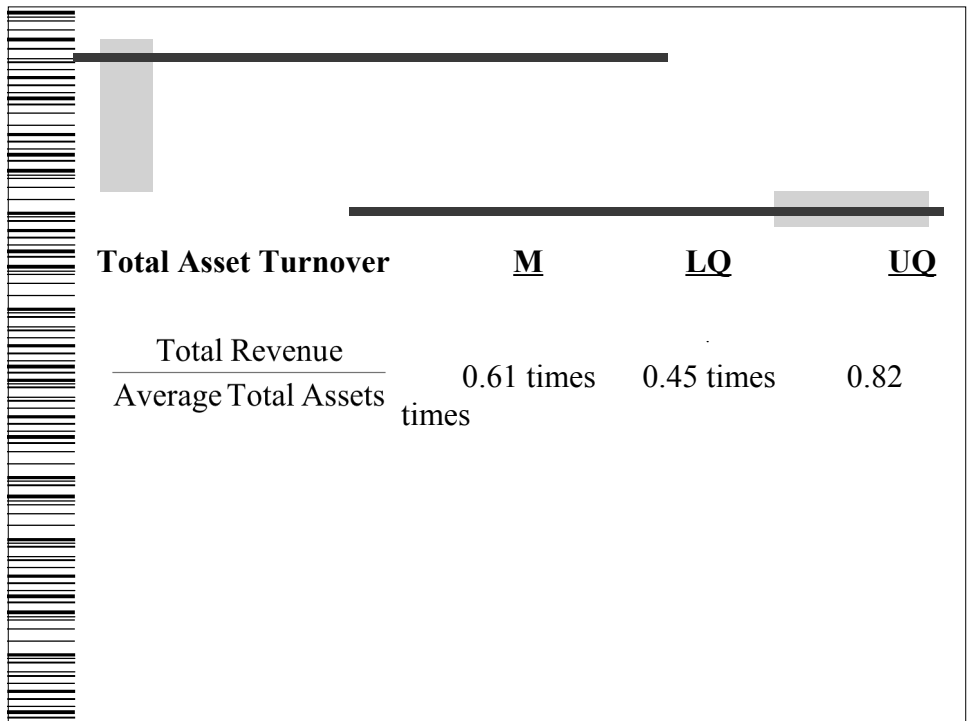
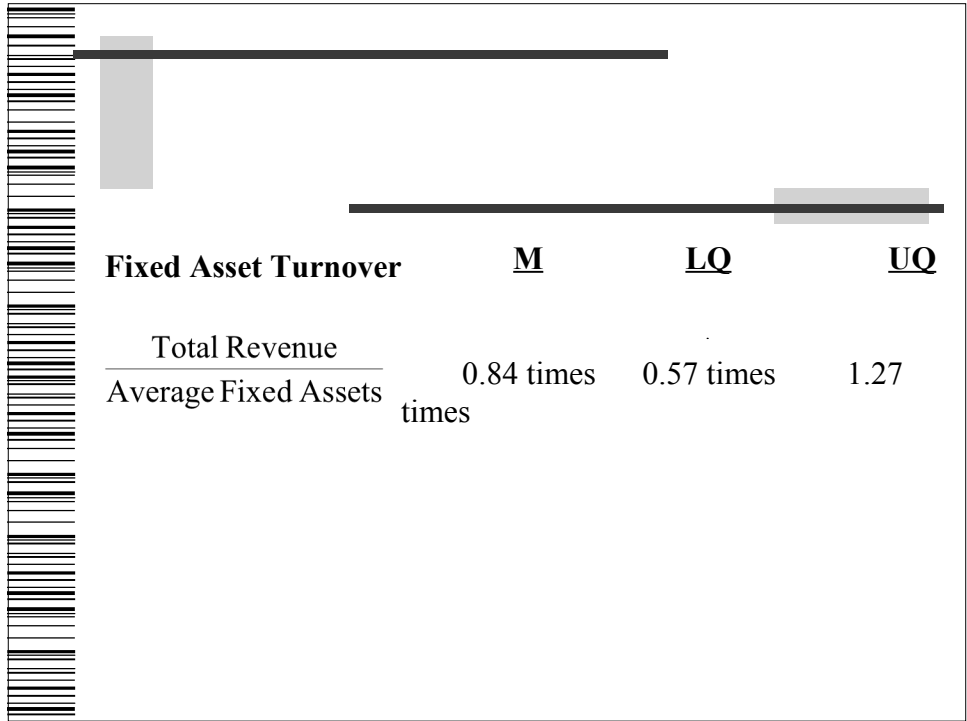
OCF to LTD:	acceptable
LTD to Total Capitalization:	good
Times Interest Earned:	low
Fixed Charge Coverage:	low

Focus on Management's Use of Resources

Food Inventory Turnover	<u>M</u>	<u>LQ</u>	<u>UQ</u>
$\frac{\text{Cost of Food Used}}{\text{Average Food Inventory}}$ times	19.4 times	13.2 times	30.6
Number of Days of Food Inventory			
$\frac{365}{\text{Food Inventory T/O}}$	19 days	28 days	12 days

Beverage Inventory Turnover			
	<u>M</u>	<u>LQ</u>	<u>UQ</u>
$\frac{\text{Cost of Beverages Sold}}{\text{Average Beverage Inventory}}$	3.9 times	2.3 times	5.1 times
Number of Days of Beverage Inventory			
$\frac{365}{\text{Beverage Inventory T/O}}$ =	93 days	159 days	72 days

Golf Inventory Turnover			
	<u>M</u>	<u>LQ</u>	<u>UQ</u>
$\frac{\text{Cost of Golf Merchandise Sold}}{\text{Average Golf Inventory}}$	2.0 times	1.6 times	3.7 times
Number of Days of Golf Inventory			
$\frac{365}{\text{Golf Inventory T/O}}$ =	183 days	228 days	99 days




Management's Use of Resources in Clubs


Food inventory turnover:	good
Beverage inventory turnover:	acceptable
Golf inventory turnover:	low
Fixed asset turnover:	reasonable
Total asset turnover:	reasonable

Focus on Profitability

Profit Margin	<u>M</u>	<u>LQ</u>	<u>UQ</u>
$\frac{\text{Net Income}}{\text{Total Revenue}}$	1.8%	0.0%	7.3%



Return on Assets	<u>M</u>	<u>LQ</u>	<u>UQ</u>
$\frac{\text{Net Income}}{\text{Average Total Assets}}$	0.1%	-0.1%	5.0%




Operating Efficiency Ratio	<u>M</u>	<u>LQ</u>	<u>UQ</u>
$\frac{\text{Income before Fixed Charges}}{\text{Total Revenue}}$	17.9%	12.2%	25.9%

Evaluation of Profitability Ratios

- ◆ Profit margin - low
- ◆ ROA - low
- ◆ Oper. Eff. Ratio - low


Operating Ratios

Food Cost Percent	<u>M</u>	<u>LQ</u>	<u>UQ</u>
$\frac{\text{Food Costs}}{\text{Food Sales}}$	40%	35.8%	42.9%




Operating Ratios

Beverage Cost Percent	<u>M</u>	<u>LQ</u>	<u>UQ</u>
<u>Costs of Beverages</u> Beverage Sales	31.1%	28.2%	34.6%




Operating Ratios

Golf Merchandise Cost Percent	<u>M</u>	<u>LQ</u>	<u>UQ</u>
<u>Costs of Merchandise Sold</u> Golf Merchandise Sales	48.4%	22.9%	76.9%



Evaluation of Operating Ratios

Food cost % :	acceptable
Beverage cost %:	good
Golf merchandise %:	good



Ratios Used

- ◆ Specific ratios
- ◆ User
- ◆ Frequency

Most Commonly Used Ratios

Food cost percent	99%
Beverage cost percent	99%
Profit margin	98%
Payroll cost percent	90%
Beverage inventory T/o	77%
Food inventory T/o	75%
Average collection period	73%
Operating cash flows to CL	73%
Operating CF to LTD	68%
Current ratio	65%
Return on assets	63%
Debt-equity ratio	62%
Operating efficiency ratio	62%
LTD to total capitalization	60%

Summary

- ◆ Limited responses
- ◆ Ratios for 2005 declined from 2004
- ◆ Liquidity – good
- ◆ Solvency – acceptable
- ◆ Activity – reasonable
- ◆ Profitability – lower
- ◆ Operating – limited ratios reported



● Questions and Answers!!!!