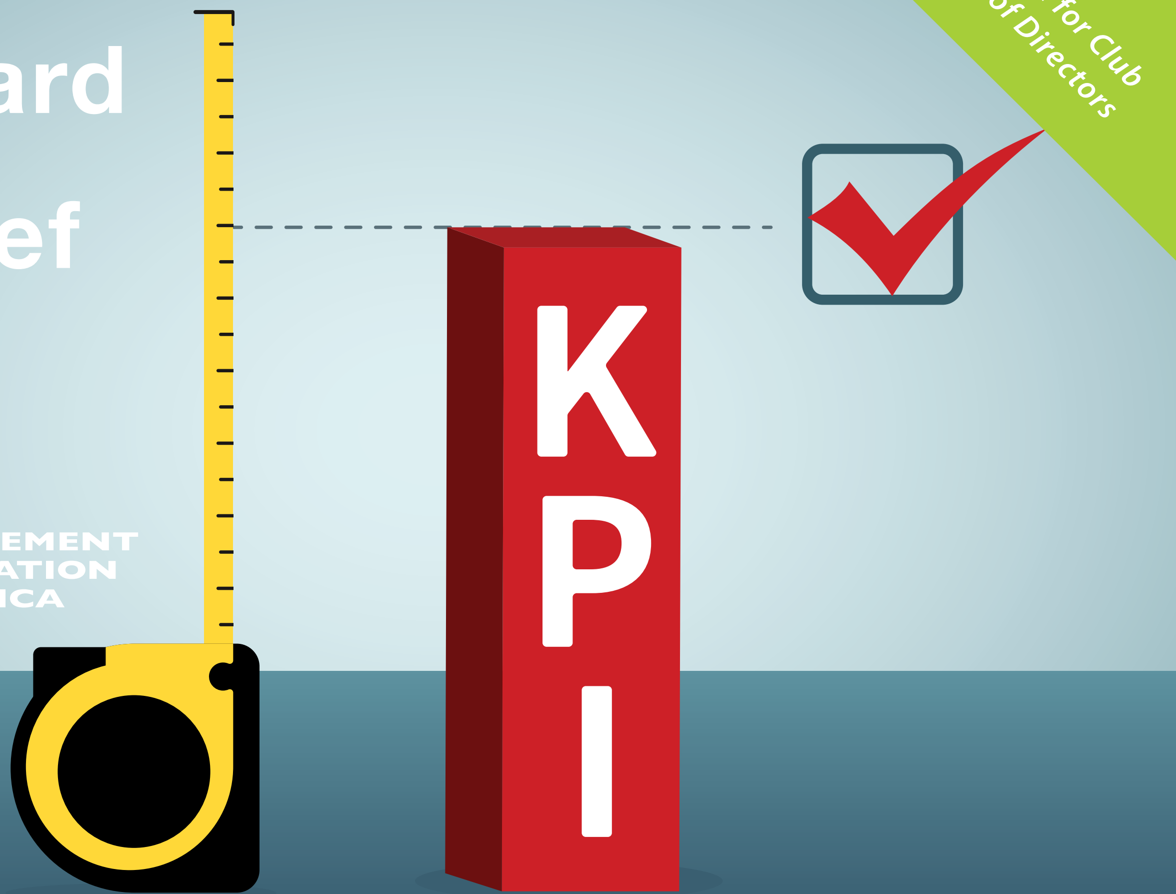
Board Brief

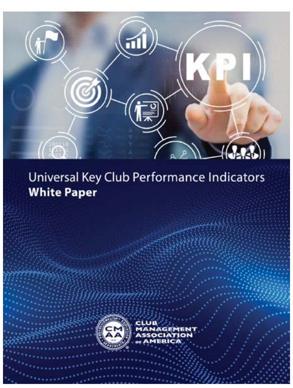
Designed for Club Board of Directors

CLUB MANAGEMENT ASSOCIATION OF AMERICA

May/June 2024



What Key Club Performance Indicators Should Your Club Be Watching?



In 2022, CMAA released the Universal Key Club Performance Indicators White Paper. This White Paper details the six Key Performance Indicators (KPIs) that encapsulate a high-level picture of financial health, including the major components of a club. This white paper is the result of the Universal Key Club Performance Indicators Task Force which was formed in March 2020. Over the course of two years, the Task Force worked to create metrics that would become a common language between club managers, boards, and industry consultants.

From examining financial performance over a period to monitoring the retention and attrition of a club's member base, each KPI serves as an important indicator of the approach a club should take to sustain the expected standard of service and member experience.

Club boards have a significant role in the design, monitoring, and execution of organizational strategy. Collecting data points to produce metrics that make up KPIs is vital to understand what makes up the health and success of your club. Effective KPIs are important metrics to track to make sure that your club can accomplish business objectives. The KPIs introduced below are quantifiable and will assist in the measurement of progress toward organizational goals.

The task force chose to highlight these six KPIs with the intention to provide the industry with a basic level of information regarding a club's overall financial health. The KPIs give clubs a quick snapshot and provide a basis for understanding your club's financial strengths and weak-nesses. When properly understood and applied, these

continued on next page

KPIs can provide you with the analytical starting point that will help you and your board make better, more informed decisions.

1. **Change in Net Assets** (Member's Equity) Over Time = (Ending Net Assets – Beginning Net Assets) / Beginning Net Assets
2. **Current Ratio** = Current Assets / Current Liabilities
3. **Debt to Equity Ratio** = Total Liabilities / Total Members' Net Assets (Total Equity)
4. **Net PP&E** (Property, Plant, and Equipment) Ratio = (Net PP&E – land) / (Gross PP&E – land)
5. **Change in Full Member Equivalents** = Change in Full Member Equivalents (Annual Dues Revenues / Annual Dues for a Full Member) over multiple years.
6. **Dues to Operating Revenue** = Operating Membership Dues Revenue / Total Operating Revenue

These six KPIs encapsulate a high-level picture of financial health, including the major components of a club. First, the Change in Net Assts Over Time provides a snapshot of the club's financial performance over the period of review. Then, the Current Ratio measures the club's liquidity risk and the Debt-to-Equity Ratio indicates the club's solvency risk. The Net PP&E Ratio provides the board with a quick evaluation of the age and estimated useful life of its fixed assets and can provide an indication of the significance of the need for repair and/or replacement of assets. A successful and healthy club also needs a strong membership base, and therefore the Change in Full Membership Equivalents Over Time affords evidence of membership growth or lack thereof. Finally, the percentage of Operating Membership Dues Revenue to Total Operating Revenue also serves as an important indicator of the approach a club takes to covering the operating expenses necessary to deliver its member experience. The clubs which rely more on dues as a 'recurring' income rather than activity-based fees are more member-experience-centric and are more able to sustain the expected standard of service and member experience.

Read the full White Paper and case study at **cmaa.org/club-operations/research/reports-and-white-papers/**.

Best Practices: Scheduling a Bylaws Review

Is it time to review your club's bylaws? Compounding the issue of creating bylaws is the need to remain vigilant to ensure that club documents keep pace – not only with the ever-changing landscape of the legal system and regulatory environment– but the ebb and flow of social change. In the end, well-written and well-executed bylaws ensure that a club runs with clarity of purpose, has a firm foundation in legal "correctness," and possesses a structure that satisfies the needs of an ever more demanding industry.

Merriam-Webster's Collegiate Dictionary states: "Bylaws are the rules adopted by an organization chiefly for the government of its members and the regulation of its affairs."

It is important that non-profit organizations have bylaws that are responsive to the organization's constituents. It has been repeatedly observed that organizations that never review their bylaws may be burdened with a legal framework that is no longer responsive to their organizational needs.

One of the most important reasons to change bylaws is that the organization's stakeholders see a need for change. The bylaws must remain responsive to the changing demands of the people it serves.

Some of the reasons why private clubs change their bylaws include:

1. Change in constituent demands
2. Change in organizational mission
3. Change in organization operations
4. Response to specific situations
5. Practices that need documenting
6. Change in the social or legal environment

When membership demands precipitates a change in bylaws, the bylaws committee needs to make certain that what it has written reflects the best interests of the membership.

Source: Establishing Criteria for Bylaws, CMAA's The General Provisions of Bylaws for Clubs.

Legal, Legislative, & Regulatory Update

Department of Labor Issues Final Overtime Rule, Effective July 2024

On April 23, the Department of Labor (DOL) released the expected final rule regulating which employees are eligible for overtime pay under the Fair Labor Standards Act. The final rule increases the annual salary threshold in July and in 2025 and will institute updates to the threshold every three years beginning July 1, 2027.

Salary Threshold*: Beginning July 1, 2024, the new salary threshold will be $43,888 annually, or $844 weekly. The amount will again increase January 1, 2025, to $58,656 (or $1,128 weekly), implementing the new benchmark calculation to the 35th percentile of weekly earnings of full-time salaried workers in the lowest-wage Census Region.

Triennial Updates: Under the final rule, the standard salary threshold and the HCE total compensation requirements will be updated every three years to reflect current earnings data. The first update is slated for July 1, 2027. A minimum of 150 dates before the scheduled update, the DOL will be published. However, the final rule does include a stipulation empowering the DOL to temporarily delay a scheduled update if "unforeseen economic or other conditions warrant."

Highly Compensated Employees:** The thresholds for Highly Compensated Employees (HCE) will also increase in July. The new total compensation will be $132,964 annually. To calculate this increase, the DOL benchmarked the annualized weekly earnings of the 85th percentile of full-time salaried workers nationally. This threshold will again increase January 1, 2025, to $151,164 annually. Further, the HCE threshold will also be subject to updates every three years with the first scheduled for July 1, 2027.

**To be exempt, an employee must be salaried, meet the established salary threshold, and works in a "bona fide executive, administrative or professional capacity."*

***To be exempt, an HCE must be salaried, meet the established salary threshold, and meet minimal duties testing.*

Overtime Changes	Standard Salary Threshold for Bona fide Exempt Employees*	Salary Threshold for Highly Compensated Employees**
Existing	$35,568 Annually $684 Weekly	$107,432 Annually
July 1, 2024	$43,888 Annually $844 Weekly	$132,964 Annually
January 1, 2025	$58,656 Annually $1,128 Weekly	$151,164 Annually
July 1, 2027	Amount to be Adjusted based on benchmark of 35th Percentile of Weekly Earning for FT salaried workers in lowest-wage census region	Amount to be Adjusted based on benchmark of annualized weekly earnings of the 85th percentile of full-time salaried workers nationally

CMAA News & Announcements

What Is the Certified Club Manager (CCM) Designation?

Developed by educators and professionals in the club industry and launched in 1965, the Certified Club Manager (CCM) designation is acknowledged worldwide as the symbol of excellence in club management. The CCM is awarded only to those club managers who complete a combination of industry-specific education and pass a rigorous examination. The CCM recognizes skills and special knowledge in areas such as club governance, leadership, and financial management in clubs. Once the designation is earned, the CCM must maintain their level of knowledge with ongoing education.

Another benefactor of the CCM program is the club as an employer. Certification can be valuable for an employer's reputation. Employees who have earned the designation through industry specific training, work experience, and assessment have demonstrated a level of competence that can affect the perception among the club membership.

Other benefits to hiring a CCM include:

- Validating the competency of the club manager. Having a CCM on staff may ensure that your employee possesses current, relevant skills that afford them deeper insight into the industry, and a higher level of overall competence. With knowledge of recent trends, the latest regulations, and new and developing options, your CCM will become the "go to" person in directing the club.
- Promoting staff retention. By providing employees with opportunities to grow their talents and master new skills through the CCM program, you are demonstrating a commitment to their professional development that can translate into greater company loyalty.
- Assisting with managing risk. The CCM exam test applicable laws and regulations related to industry. Employees with knowledge of these laws and regulations can assist with steering your club through potential problems, make recommendations that may prevent complications, and provide the club governance with advice.

The CCM is a globally recognized designation for club management professionals and the standard by which individuals demonstrate their professionalism in club management. Approximately 1,500 CMAA members hold this prestigious designation. Earning the CCM is a valuable achievement and a professional advantage for club management professionals at any stage of their career. Learn more at **cmaa.org/learn/certification-programs/ccm/**.

The Board Brief is a publication of the Club Management Association of America. Founded in 1927, CMAA is the largest professional association for managers of membership clubs with more than 7,800 members throughout the US and internationally. Our members contribute to the success of more than 2,600 country, golf, athletic, city, faculty, military, town, and yacht clubs. The objectives of the Association are to promote relationships between club management professionals and other similar professions; to encourage the education and advancement of members; and to provide the resources needed for efficient and successful club operations. Under the covenants of professionalism, education, leadership, and community, CMAA continues to extend its reach as the leader in the club management practice. CMAA is headquartered in Alexandria, VA, with 40 professional chapters and 40 student chapters and colonies. Learn more at **cmaa.org**.