



2016

Economic Impact Report 2016



**CLUB
MANAGERS
ASSOCIATION
OF AMERICA**



Introduction

This report details the economic impact of clubs managed by members of the Club Managers Association of America (CMAA).

As of September 2016, CMAA members manage 2,539 clubs. At the highest level, these clubs can be segmented into clubs with golf and clubs without golf (Chart 1 shows the segmentation). Clubs with golf courses typically have additional amenities such as pools, tennis and fitness facilities. Clubs without golf are most commonly recognized as yacht, city and athletic clubs. These clubs' amenities may include yachting, pools, fitness or racquet sports. Clubs with and without golf are key social gathering locations for members with an emphasis on food and beverage.

Since publishing the *2014 Economic Impact Report*, there has been an increase in Operating Revenue at the median of 6.9 percent and an increase in Capital Income at the median of 29 percent.

This *Economic Impact Report* presents only the direct economic impact of clubs managed by CMAA members. It does not account for the indirect impact related to employment and spending in these clubs.

Clubs are "Main Street" or "hometown" businesses. Clubs produce local and sustained economic activity. The total direct economic impact of CMAA member-managed clubs is estimated at \$21 billion.

- Club employment is filled by people living and residing in the same community as the club.
- Club employment can be characterized as mainly middle-class jobs sustained over very long periods of time with the main effect being on the local economy.
- All club monetary flows are domestic and mostly local. Thus, the secondary effect, (sometimes defined as the velocity of money) associated with club activities is likely very high.
- Club economic activity is "Main Street" activity because it is described as a "hometown" business.

Membership counts have stabilized at the great majority of clubs. While initiation fees continue to remain under stress in about one quarter of the clubs, both revenues and activities in clubs are growing for more than 75 percent of the clubs. Capital Income represents 11 percent of the average club's total income.

Growth in operating revenues and capital income helps to drive growth in employment. This growth increases the direct impact of clubs by creating more middle-class jobs in the communities in which they reside.

One key aspect of the economic impact of the club industry is its highly local nature. The majority of club members and employees live near the club. Following this theme, the majority of cash flows resulting from purchases, employment, taxes, charitable giving and other economic activities are centered in the community in which the club operates. As such, clubs are significant producers of **dense, highly local** economic activity. Table 1 shows the summary facts in a "side-by-side" analysis over the last four years.

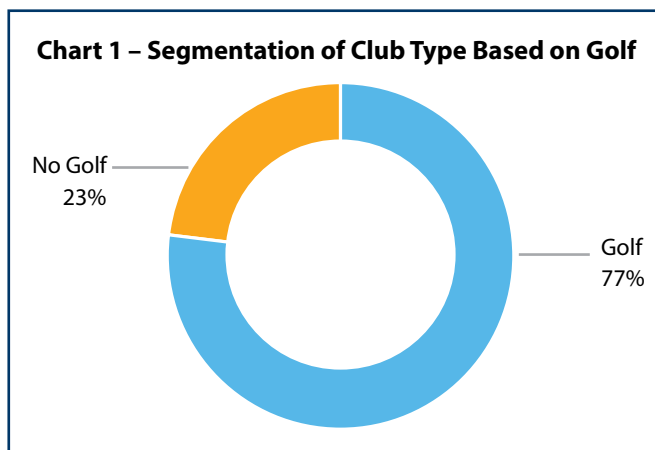


Table 1 – CMAA Member-Managed Clubs Economic Impact – Facts at a Glance

Factor	2016 Estimate	2014 Estimate	2012 Estimate	Comments
Total CMAA Member-Managed Clubs	2,539	2,607	2,489	Clubs are a key component of local economic and social activity sustained over a long period.
Total Direct Economic Impact	\$21 Billion	\$21 Billion	\$19 Billion	Includes tax revenues generated because of club activities.
Total Income	\$20 Billion	\$20 Billion	\$18 Billion	Fifty percent of a club's operating revenue comes from membership dues.
Total Payroll	\$9.3 Billion	\$9.5 Billion	\$9 Billion	Clubs are key "Main Street" employers.
Total Purchased Goods	\$6.2 Billion	\$6.5 Billion	\$5.8 Billion	
Total Purchased Services	\$3.5 Billion	\$3.7 Billion	\$2.8 Billion	
Total Taxes Paid	\$2.4 Billion	\$2.5 Billion	\$2.6 Billion	
Charity Golf Tournaments Hosted	16,000	17,000	16,000	Charity golf tournaments are woven into the fabric of clubs.
Charitable Giving and Activity	\$150 Million	\$150 Million	\$124 Million	Many clubs consider support of charities a part of their charter.
Total Employees	345,000	363,000	326,000	Clubs employ locally and have many "middle class" jobs sustained over time.
Total Full Time Equivalentents (FTE)	197,000	207,000	192,000	
Median Compensation Per FTE	\$46,150	\$45,900	\$45,000	
Total Members	Between 1.8 and 2.1 Million	Between 1.8 and 2.1 Million	Between 1.7 and 2.0 Million	Member count considers primary member (does not include member's spouse or children).
Cash on Deposit in Banks	\$3.7 Billion	\$3.9 Billion	\$3.4 Billion	

Membership Analysis

It all starts with members. Clubs are categorized as service businesses in that they do not produce a tangible product. Clubs provide athletic, recreational and social services to their members and their member's guests.

It is estimated between 1.8 and 2.1 million members belong to the 2,539 CMAA members' clubs. This member count considers only the primary member and does not include the member's spouse or children. Most often, the member's family and spouse are also members participating in club activities and significantly increasing the number of people using clubs. Given that 50 percent of the income in clubs is derived from membership dues revenue, it is the critical driver of economic output.

CMAA member-managed clubs are responding to demographic shifts by becoming more creative and focusing more on the family rather than the individual member. As Generations X and Y emerge and the Baby Boomer generation transitions to retirement, the demographic shift does add stress on the club and the golf industry at large. Many clubs are increasing their emphasis on fitness and other lifestyle amenities alongside the emphasis on golf.

Economic Impact Analysis

There are two types of income in clubs: operating revenue and capital income. Operating revenue encompasses the services and goods produced and consumed during the given year. Operating revenue includes membership dues revenue flowing from members, the food and beverage revenue of the club, the various user fees members and guests pay, greens fees, racquet fees, pool entrance fees, fitness training and various lessons fees for golf, tennis and fitness. Some clubs, including a high proportion of city clubs, produce operating revenue by offering overnight rooms to guests. Yacht clubs produce operating revenue by mooring, docking and storing boats of members and guests.

In FY 2015, CMAA member-managed clubs were responsible for generating \$17.6 billion dollars of operating revenue.

Capital income is the money associated with making ongoing capital investments required over time such as improving or building new clubhouses, purchasing equipment like ovens and fixtures for the kitchen facilities, exercise equipment or golf maintenance equipment. Nearly every club makes investments in capital equipment and clubhouse maintenance or improvement every year. The activity and purchases associated with capital investment and income is also mostly local, including investments such as: HVAC, new roofs, new furniture and fixtures.

The purchase of such equipment is typically made through local brokers or suppliers and the installation of such equipment is undertaken by local contractors and technicians.

Capital Income, because of initiation fees and capital dues and assessments, has been growing recently at a more rapid rate than operating revenue.

In FY 2015, the estimated total capital income across CMAA member-managed clubs was \$2.7 billion, averaging \$1,066,000 per club in capital income.

Thus, the total income in FY 2015 for CMAA member-managed clubs was \$20.25 Billion dollars (Operating and Capital).

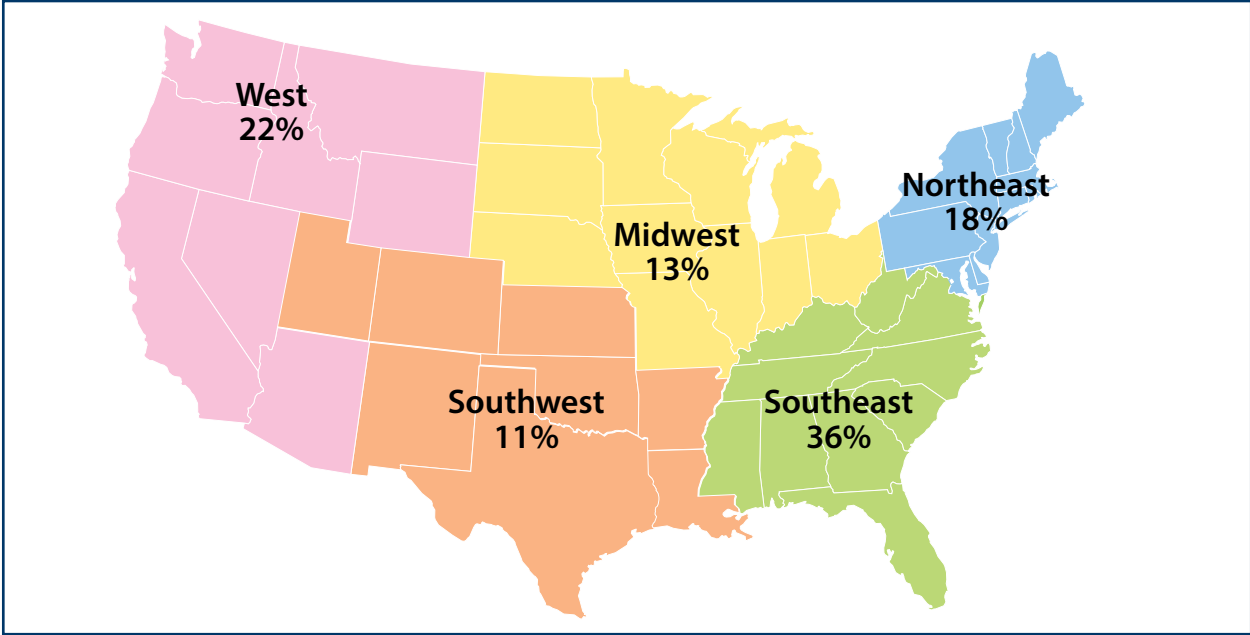
Table 2 – Operating and Capital Income Segmentation in Industry

Segment	Revenue Range	Average Club Revenue Within Segment	Estimated Number of Clubs	Total Operating Revenue	Average Capital Income Within Segment	Total Capital Income
Small Clubs	\$4,250,000 or Less	\$2,433,628	442	\$1,075,096,841	\$251,499	\$111,162,558
Lower Mid-Market Clubs	\$4,250,001 - \$6,500,000	\$4,715,096	824	\$3,885,885,008	\$587,775	\$484,326,600
Upper Mid-Market Clubs	\$6,500,001 - \$9,500,000	\$7,291,050	716	\$5,232,258,138	\$1,234,081	\$883,601,996
Large Clubs	\$9,500,001 - \$15,000,000	\$11,264,854	457	\$5,188,158,620	\$1,873,422	\$856,153,854
Very Large Clubs*	> \$15,000,000	\$21,685,716	100	\$2,168,571,600	\$3,723,134	\$372,313,400
Total			2,539	\$17,549,970,207		\$2,707,558,408

* Average does not include the few extremely large clubs exceeding \$40,000,000 in operating revenue.

Chart 2 below shows the estimated regional distribution of the \$17.6 billion dollars in total operating revenue. A table depicting the state grouping within each region is presented in Appendix 1.

Chart 2 – Regional Distribution of Club Income

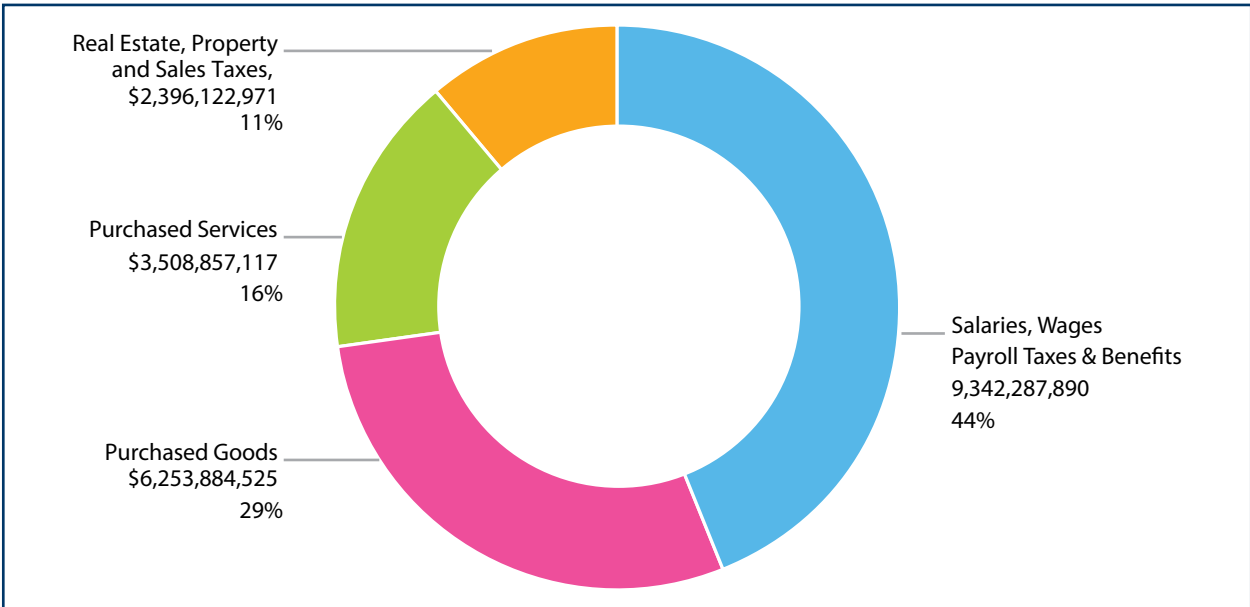


Measuring Economic Impact

The business mission of clubs is to provide services to members and guests. For the most part, the services provided by clubs can be categorized into three broad areas: athletics, social activity (food and beverage) and lodging. In providing these services to members, clubs consume labor, goods and services and pay local taxes.

Chart 3 shows the distribution of economic activity in the club industry across the spectrum of labor, goods and services purchased and taxes paid.

Chart 3 – Distribution of Economic Activity of Clubs



Below are some examples of the common labor, goods and services consumed in providing services to members and guests include, but are not limited to:

Labor

- Dining service and culinary activity
- Maintenance and operation of the club's physical plant and clubhouse(s)
- Management and oversight of the club (financial, human resources, general management)
- Athletic support staff such as golf, fitness, aquatics and racquet professionals
- Caddies
- Ground and Course Maintenance staff
- Yachting staff – harbormasters and sailing instructors
- Ancillary support staff including receptionists, administrative assistants, retail specialists, child care providers, youth sports and camp instructors

Goods

- Food supplies
- Beverage supplies
- Laundry and linen supplies
- Mechanical components for maintaining and repairing equipment of all types
- Fertilizers and applicants for maintaining golf courses and common grounds
- Furniture, fixtures, hardware, lighting, HVAC supplies
- Equipment and clothing for golf, fitness, aquatics, tennis activities
- Office supplies
- Equipment to mow and maintain grounds and courses

Services

- Insurance (property and liability, health insurance)
- Banking
- Technology support – software and hardware
- Utilities
- Tree maintenance
- Plumbing, Electrical, Painting, Construction and HVAC maintenance
- Legal and Accounting

Employment

One of the key areas of economic impact in clubs is jobs. As many clubs have some seasonality in their business, the jobs offered by clubs cover the spectrum of year-round (full- and part-time) and seasonal (full- and part-time).

The total peak employee count in CMAA member-managed clubs is estimated to be 345,000 people. The full time equivalent (FTE) count in the industry is estimated at 197,000. (An FTE equates to one full-time employee for the year working 2,080 hours during the year).

The median compensation per FTE is approximately \$46,150 per year. Given the median household income in the USA for the same year was approximately \$55,775 and the median salary for a teacher is \$60,270, it is clear the club industry provides employment with meaningful income. Table 3 below presents comparisons of the median compensation in the club industry as compared to other familiar occupations (Data Source: United States Department of Labor, Bureau of Labor Statistics, 2015).

Table 3 – Comparing Average Compensation in Club Industry

Occupation	Median Income
Accountant	\$78,730
Secondary School Teachers	\$60,270
Median Household Income – 2015	\$55,775
Electrician	\$55,590
Club Industry Median	\$46,150
Administrative Assistant/Secretary	\$39,360
Waiter/Waitress	\$23,020

More than 90 percent of clubs offer health care insurance to employees. The median portion of the premium paid on behalf of the employee by the club is 80 percent while for the employee's family it is 70 percent (for HMO plans).

The median club invests six percent of its total payroll in health care insurance for employees and their families with the median club spending \$220,053 on health insurance. The estimate for total health insurance expenses for the industry at large is \$676,000,000. Clubs tend to hold employees with stable employment and as such offer market competitive benefits and wages to attract and retain employees over time.

The median club's payroll is composed of 82 percent to salaries and wages and 18 percent to payroll taxes and benefits. The payroll taxes paid by clubs cover the standard array of employment taxes including FICA, FUTA and SUTA. Most of the benefits are health insurance subsidies which comprise six percent of the median club's payroll. With the club's portion of Social Security and Medicare rates at 7.65 percent, the remaining taxes of approximately four percent of payroll are for federal and state unemployment taxes.

Table 4 shows the aggregated estimate for the industry for each of these taxes and benefits.

Table 4 – Measuring Payroll Taxes and Benefits

Benefit or Tax	Estimated Club Industry Total
Social Security and Medicare	\$714,685,024
Health Insurance Subsidy	\$653,960,152
State Unemployment Tax (SUTA)	\$256,912,917
Federal Unemployment Tax (FUTA)	\$56,053,727
Total Taxes and Benefits	\$1,681,611,820

Purchased Goods

Table 5 shows the breakdown of purchased goods. The column titled Characteristic is intended to capture the source of the good. As can be seen, nearly every good is purchased and distributed on the local level. The majority of the goods purchased are USA domestic manufactured. The club's goods are nearly all sourced and supplied by local vendors, merchants and distributors.

Table 5 – Measuring Goods Purchased by Clubs

Characteristic	Purchased Goods – Item	Amount
Local and National Through Distribution	Food & Beverage Provisions	\$1,545,433,607
Mainly Local	F&B Supplies (Linens, Laundry, Uniforms, Utensils, Glassware, etc.)	\$400,769,133
National Through Local Distribution	Course Maintenance Supplies (Fertilizers, Seeds, Sand, Sod, etc.)	\$641,475,168
National	Pro Shop Goods (Clubs, Balls, Clothing)	\$575,609,173
National and Local Through Distribution	Miscellaneous (Office Supplies, Fixtures, Landscaping Supplies, Flowers, etc.)	\$1,412,733,062
Local and National Through Distribution	Capital Investment – Goods (Buildings, HVAC, Golf Carts, Mowers, Vehicles, Furniture, etc.)	\$1,468,289,392
Local and National Through Distribution	Housekeeping Supplies and Decorations (Flowers, Cleaning Supplies)	\$209,574,990
	Total	\$6,253,884,525

Table 6 presents an estimate of the effect of the goods purchased by clubs on the local and national economies.

Table 6 – Estimating Source of Goods Purchased by Clubs

	Purchased Goods Sourcing	
	Local	National
Food & Beverage Provisions	\$772,716,804	\$772,716,804
Food & Beverage Supplies	\$240,461,480	\$160,307,653
Course Maintenance Supplies	\$192,442,550	\$449,032,617
Pro Shop Goods	-	\$575,609,173
Miscellaneous (Office Supplies, Fixtures, etc.)	\$565,093,225	\$847,639,837
Capital Investment - Goods	\$734,144,696	\$734,144,696
Housekeeping Supplies and Decorations	\$146,702,493	\$62,872,497
Entertainment Services	\$120,446,297	
Total	\$2,651,561,248	\$3,602,323,277

Purchased Services

Table 7 details the array of services consumed by clubs. As can be expected given their nature, services are delivered by people and businesses that tend to be in the club's local community.

Table 7 – Measuring Services Purchased by Clubs

Characteristic	Purchased Services – Item	Amount
National and Local – All Domestic	Technology (Software, IT Services, Computers)	\$94,492,238
Local	Entertainment (Music, Actors, Costumes, etc.)	\$120,446,297
National Through Local Agents	Property and Liability Insurance	\$282,696,077
Mainly Local Banks	Interest (Interest on Debt)	\$306,012,320
Local	Capital Investment – Services (Mainly Labor from local Trades)	\$629,266,882
Mainly Local	Miscellaneous (Professional Services Accounting, Legal, Other Contract Labor, Tree Surgeons, Valet Parking Services, Payroll Service, etc.)	\$1,148,045,786
Local and National	Utilities	\$927,447,517
	Total	\$3,508,857,117

Table 8 presents an estimate of the effect of the services purchased by clubs on the local and the national economies.

Table 8 – Estimating Source of Services Purchased by Clubs

	Purchased Services Sourcing	
	Local	National
Technology	\$47,471,119	\$47,471,119
Entertainment	\$120,446,297	
Property and Liability Insurance	\$56,539,215	\$226,156,862
Interest (Interest on Debt)	\$214,208,624	\$91,803,696
Capital Investment – Services	\$440,486,818	\$188,780,065
Miscellaneous (See Table 6)	\$803,632,050	\$344,413,736
Utilities	\$463,723,758	\$463,723,758
Total	\$2,146,507,882	\$1,362,349,235

Banking

As a means of estimating the impact on the financial system, CMAA member-managed clubs are estimated to hold at least \$3.7 billion on deposit in their banks while also having debt obligations estimated at just under \$6 billion.

Taxes

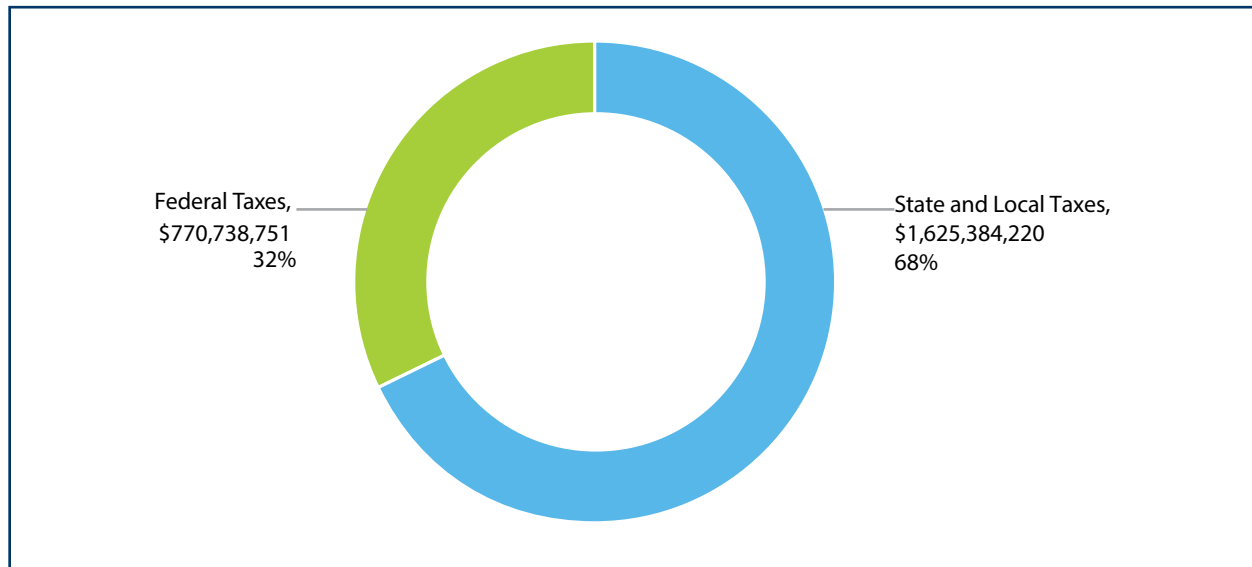
The economic activity at clubs generates tax revenues for local, state and federal governments. Table 9 below presents the estimates the impact on tax revenues based on the activity at clubs in FY 2015.

Table 9 – Estimating Impact on Tax Revenues at Clubs

Characteristic	Tax	Amount
National	Social Security and FUTA	\$770,738,751
State	State Unemployment Taxes	\$256,912,917
Local	Real Estate and Property Taxes	\$413,415,189
Local and State	State and Local Sales Taxes	\$955,056,114
	Total	\$2,396,122,971

Chart 4 shows the proportion of taxes paid to local and state governments and the federal government. As can be seen, clubs are engines of economic activity for their local communities. In addition to federal employment taxes, certain clubs also pay federal income taxes estimated to be on the order of \$100 million. The methodology employed in the survey did not allow federal income taxes to be precisely calculated.

Chart 4 – Tax Revenue Distribution – Federal, State and Local



Charitable Golf Events and Activities

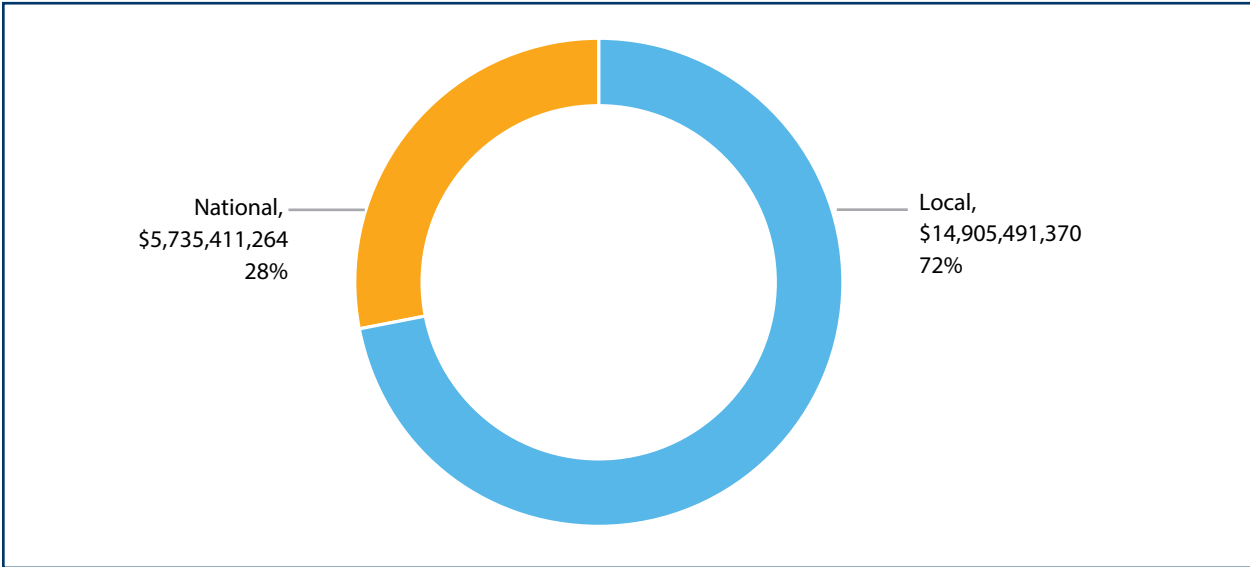
Golf tournaments are one of the key fundraising vehicles for charitable organizations and causes. At such tournaments, a charity will host a golf day at a club and charge attendees a fee for playing. The round of golf is typically followed by entertainment with auctions and raffles as a further tool to raise money for the cause. Clubs managed by CMAA members are integral to this charity effort; 83 percent of the clubs managed by CMAA members hosted such tournaments in 2015. In 2015, the total number of such tournaments hosted at CMAA member-managed clubs is estimated at 17,000. With an estimated \$6,000 raised at each tournament, charities used CMAA member-managed clubs as vehicles to raise nearly \$102 million dollars for their causes in 2015.

Additionally, clubs managed by CMAA members are often the place of choice for banquets and gatherings for charitable organizations and causes. CMAA member-managed clubs are often a primary alternative for gathering in local communities and the members of the clubs are very often involved in donating time and money to the charities. The methodology employed this year did not allow for a revised estimate of direct charitable giving by clubs but is estimated to match that in the 2014 report.

Apportioning Economic Effect

Clubs are Main Street businesses and clearly drivers of highly local economic activity as shown below in Chart 5. This chart shows an estimate of the economic impact clubs have on the local economy and the national economy. Real estate taxes and sales taxes are local, in addition to the estimated local portions of goods and services shown above in Tables 5 and 7. Social Security and FUTA Taxes are considered national.

Chart 5 – Economic Impact of Clubs – National and Local





Conclusion and Summary

Clubs are engines of intense, local, economic activity. The income and spending is mainly within the community in which the club resides. Clubs have been an integral part of the local social, economic and charitable center of communities of all sizes since the 1800s. Offering sustainable, long term, “middle class” employment in a family atmosphere, clubs are a critical fiber of communities creating significant “Main Street” economic activity. Unique in terms of its scale and omnipresence in towns and cities large and small, the club industry has endured, and will continue to endure and make a significant impact on employment and economic activity. CMAA is focused on understanding how to build and maintain clubs that are economic engines of sustainable businesses. These clubs will subsequently produce a positive impact on members, employees and communities.

Appendix I

State Groupings within Regions

West – California, Arizona, Nevada, Hawaii, Oregon, Washington, Alaska, Wyoming, Montana, Idaho (10 States)

Southwest – Utah, Colorado, New Mexico, Kansas, Oklahoma, Texas, Arkansas, Louisiana (8 States)

Southeast – Florida, Georgia, North Carolina, South Carolina, Tennessee, Alabama, Mississippi, Virginia, West Virginia, Kentucky, Washington DC (10 States plus the District of Columbia)

Midwest – North Dakota, South Dakota, Nebraska, Missouri, Iowa, Minnesota, Wisconsin, Illinois, Indiana, Ohio, Michigan (11 States)

Northeast – Maine, Vermont, New Hampshire, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Delaware, Maryland (11 States)