

「cash is king.」

Preparing your Club to weather
the economic storm of the Coronavirus



**First and foremost, we wish you,
your family and friends the best of
health in these unprecedented times.**

in this presentation,
you'll learn how to:



extend your
cash resources



forecast your
cash position to
plan ahead



make
decisions about
payroll



communicate
with
key stakeholders





**your current
cash position**

| your current cash position

many clubs should maintain available cash balances of 15% of total annual revenues

This represents about 2 months of revenue. If your Club is below this threshold, you need to consider the following steps to avoid any further cash pain in the short-term.

According to Club Benchmarking, stronger Clubs generate 50% or more of their revenue from dues (this number is 39% for Clubs without golf.)



| your current cash position

even if you're just above the cash and dues threshold targets,
take the following into consideration:

Work the phones on your receivable balances and consider converting non-electronic paying Members to electronic, specifically ACH payments.

Despite the fees charged, even credit card receipts may be advantageous to ensure cash receipt is timely despite the associated merchant fees you'd pay.



| your current cash position

even if you're just above the cash and dues threshold targets, take the following into consideration:

Consider requesting Members to advance-pay for their activities this season. While it's a big ask and certainly needs to be presented properly to the Members, if you develop a voluntary program to advance payments - potentially tied to Members' recent spending - this advances funds to you that can be available now to weather a Club shutdown.

Note - this would be voluntary. Not all Members will be able or willing to advance funds to the Club, but even if a handful of Members participate, that pre-payment for F&B spending, guest passes, gift certificates, etc. can be a short-term lifeline for your Club.

Communication is key to explain the situation. Boards and owners should actively support this strategy if it is to be successful.



cash forecasting

before it gets too late, begin forecasting your weekly cash flows for the next 90 days.

Why? While payroll happens every two weeks and vendors have similar credit terms to customers if you're a private Club - a Member charge in March may be revenue, but depending on when it's billed and collected, it may not hit your bank account until mid-April. In the meantime, you've likely processed three payrolls and several payable runs.

It's important to know when receipts and payments are **likely** to happen based on history and experience, so be sure to consider seasonal trends. Your income statement doesn't tell you this. It shows you when you incur expenses and earn revenues, but not when it converts to cash receipts or cash payments.

Also, there can be expenses that you amortize over a year, but from a cash standpoint happen once or twice a year - such as property taxes.



cash forecasting

a weekly cash forecast should have the following components, at a minimum:

receipts

Member collections, cash flows from products, services, activities/amenities, sales tax, etc

Available borrowings under a line of credit or other borrowing options

disbursements

Payroll, payroll taxes, benefit payments (health, dental, 401k, unemployment, workers' comp. etc.)

vendor payments

Food and beverage or other critical vendors

Utilities

Employee reimbursements

Lease payments

Remaining vendors/payables

other

Sales taxes

Debt service, including lease payments

Rent

Capital projects (committed)



cash forecasting

Many Clubs focus their P&L reviews down to operating income, typically defined as Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) line, but cash outflow will also occur for sales taxes, capital expenditures and debt service (including capital leases.)

Knowing when these impact your Club is crucial to avoiding surprises and planning for **short-term cash needs**.





revenues/
receipts

revenues/ receipts

a 10-day advance on receipts can be huge for a Club in managing its weekly cash flows.

As noted earlier, receivables need to be top-of-mind to get those funds collected as soon as possible.

Most Clubs typically don't seek collection of dues/activities until 20-25 days after month-end. Consider short-term expenses to collect from Members no later than 15 days, possibly 10 days to accelerate cash flows to the Club at this time.



any advancement of cash can be very impactful.

If your Members pay dues monthly, consider requesting a short-term pre-payment of dues, potentially for the next 90 days.

For advanced deposits you have received (weddings, outings, etc.), seek to retain cash as best as possible. Communicate to your groups that you'll work to reschedule and, if they want cash back instead, offer inducements to reschedule such as shop credits, prizes, upgrades on appetizers, etc.



avoid “quick fix” revenue opportunities.

Remember, you have limited staff and you're focused on running a Club. Don't spend time on areas with limited return, especially if they're not your core service. It's a waste of time and likely big money.

For example, grab and go curbside service for take-out can work, but delivery likely can't. You have to know the delivery area, what insurance risks there are, and how to keep food at the proper temperature in order to execute properly. This is just one area that many Clubs are considering now that needs proper thought before jumping in with both feet.





**make decisions
about payroll**

decisions about payroll

payroll goes on. now it's just a matter of who and how much.

Consider deferring the fulfillment of open positions.

Avoid overtime at all costs.

Consider repurposing staff to help with other duties around the Clubhouse and with other amenities. A deep clean of your Club will not only best utilize staff, it may prevent the need for outside vendors, and when Members return, they will be impressed with the Club's condition.



decisions about payroll

payroll goes on. now it's just a matter of who and how much.

If you do have to lay off staff, consider the long-term implications of this. Technical considerations like the WARN Act (involving mass layoffs), impact on unemployment, payment of payroll taxes and benefits all should be considered.

While increased unemployment benefits under the CARES act will help ease the pain, staying in touch with key staff will be important to ensure anyone furloughed or terminated is ready to come back when the time is right.



decisions about payroll

payroll goes on. now it's just a matter of who and how much.

Keeping valuable people will be important for your long-term viability. Members definitely get attached to staff who have been attentive to them over the years, so finding creative ways to keep them and utilize them while the Club is under reduced hours of operation will be critical.

Understand your benefit programs and how they may be impacted by COVID-19 as far as treatment, coverage, co-pays, etc. This should not only be done from the standpoint of the Club, but also from the standpoint of the employees. **Advocating for your staff will pay dividends later on.**



“ask yourself:

When it all settles down, whom do I want to have still aligned with me?

Who will still forgive me and accept what has happened?

And whom am I prepared to accept their enduring animosity because I couldn't manage their expectations and had to let them go?”

-Nir Kossovsky

club operators who are unable to pay their staff during a shutdown should allow them to file for unemployment as soon as possible.

That way, neither party is delaying the inevitable.

Additionally, you could go out of business if you financially mismanaging your Club during this time - meaning that your displaced employees will not have a job waiting for them when the pandemic abates.

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members and employees are likely already experiencing stress

This means they will not be receptive to further stressors, no matter how trivial.

This could take the form of an unexpected bank account change or a sudden layoff notice.



**vendor
communication**

vendor communication

clear communication of your circumstances and plans for the next 90 days buys you credibility and possibly cash benefits with vendors.

Similar to communicating with your Members and your community, consider a tailored communication to your key vendors that outlines your plans. **Be honest with them about any unknowns.** You will be surprised how well your vendors will respond to and appreciate your candor at this time. It will endear you to them as valued partners.

Seek possible extensions on credit terms. Getting terms to go 45 days vs 30 days from most vendors could help insulate some of the cash burn you'll be experiencing. If vendors know that they'll still get paid, but just two weeks later, they'll likely leap at that trade-off.



vendor communication

reduce/eliminate as much discretionary spending as possible.

Avoid booking any travel costs (hotels, airfare, etc.). Not only is travel reduced now, but we don't know when it will resume to normal levels. **Until there's clarity, don't spend the money.**

This goes for other areas, too. Everything from new menu printing to certain forms of advertising to discretionary capital projects should be on the table to defer or eliminate until you have a better sense of the Club's direction.

Work through available stocks of inventory. Avoid inventory replenishment except in key areas. Get creative. There could be an opportunity where your Club can be a resource for Members, vendors and staff for certain food and supplies that are otherwise in short supply to the public (think basic grocery staples, toilet paper, etc.).



vendor communication

reduce/eliminate as much discretionary spending as possible.

Avoid using your cash collected for sales tax as cash available. Ensure sales and payroll taxes are paid on time. While some states may defer deadlines for reporting/payment, until you have concrete terms, comply with sales tax, property tax and payroll tax reporting/payment terms. **Don't use cash that's not yours.**

Avoid signing any new contracts that commit the Club unnecessarily at this time. Defer until you are back at normal operations.

For key vendor payments, consider the opportunity to renegotiate terms related to timing of payments, timing of delivery and other terms such as with insurance and what you have for deductibles. If your insurance is about to come up for renewal, revisit deductibles and levels of coverage to seek payment relief in the short-term without sacrificing overall coverage.





**other payments/
considerations**

other payments/ considerations

everything can be negotiated.

Clubs will have some payments that are contractually required - operating leases, capital leases, rent, debt service, etc. Most of these leases are handled through lending institutions now, not the manufacturers. Understand if there are any deferment programs with them that would allow you to reschedule current payments.

When it comes to banks and other lending institutions, many Clubs have lines of credit. These offer a seasonal bridge for managing cash flows at low ebbs of your season. Seek out your bank's appetite to extend terms and also how much they can increase your borrowing capacity.

We've worked with numerous Clubs to obtain more available capital (read - liquidity!) to provide better cash and security from them.



| other payments/ considerations

a huge key to landing added borrowing capacity is demonstrating that you have a plan.

Not only will lenders want to know what you plan to use added funds for, they'll want to know you have the capacity to pay them back. **Having the ability to produce an action plan for when we're able to come out of exile will be the evidence the bank needs to ensure its repayment.**





**key
takeaways**

| key takeaways

having a well-thought-out plan with steps to execute is critical.

It's not just your strategy, it's you're tactics to **execute on that strategy** that will ensure your success, both in the short- and long-term.

Decisive action is required. None of the steps outlined in this presentation are easy. But they are necessary to ensure the long-term viability of your Club, especially if your current cash situation is not flush.



| key takeaways

Proper communication will put people at ease, because each time you communicate, you demonstrate you have a plan to get past these trying times.



| key takeaways

you don't have to do it on your own.

There are many peers, colleagues and industry resources available to help you navigate through this challenging climate. While we've never had to manage through a pandemic before, at the end of the day, this is about Clubs managing the finances to be there for all stakeholders - Members, staff and your communities.

The recommendations in this presentation are tried and true ways to help you achieve sustainable success in the face of current and future challenges, both predictable and unpredictable alike.



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helping Clubs design a strategic plan to stay relevant,
hire the right people, and create more happy members

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