

EXPERTS' CORNER

FINANCE

How is inflation affecting the dues dollar?



Daniel T. Condon



Matthew P. O'Dell



James J. Hankowski

AS CLUBS CONTINUE to navigate through all the regulations relating to the COVID-19 pandemic, another obstacle has emerged—surging inflation. When businesses began to re-open, consumers returned in force to spend money. This, combined with federal stimulus programs, a low interest rate environment, a soaring stock market and supply chain issues to name a few, have caused a demand for goods and services that is outpacing the supply. Of course, inflation has its place in many economic recoveries, and this one is no different, but traversing any significant inflationary environment can prove difficult. So, how has this impacted clubs?

Prior to COVID-19, clubs and other small businesses in many states were already dealing with ongoing increases in labor costs because of an incremental increase in the minimum wage. Now tight labor markets are putting additional, significant pressure on wages. The cost of labor is not the only obstacle clubs are facing. Commodity prices (beef, chicken, bacon, etc.) have surged due to shortages caused by supply chain issues. Energy prices also are rising, coupled with skyrocketing prices of gasoline (over 40% since the beginning of the year), which are embedded in numerous operating costs for clubs. These rising costs, together with supply chain disruptions, do not appear to be slowing anytime soon.

Invariably the question arises, “How do we pay for this?” Understanding club politics as well as club economics and operations is no easy undertaking. Membership dues is a key component of any healthy private club and its correlation to payroll is quite remarkable. Generally,

Membership dues is a key component of any healthy private club and its correlation to payroll is quite remarkable.

labor costs consume more than 50% of the operating revenue dollar, and since membership dues is a major component of operating revenue, clubs focus on annual increases to offset these inflationary pressures. Therefore, clubs are evaluating their traditional dues increases, which have been relatively mild (roughly 3%) during the past decade. Increasing dues is never an easy decision but considering these inflationary demands, club board are finding themselves under increasing pressure to raise dues far more than previous increases to cover these costs. For the first time in many years, it appears that dues increases at many clubs in 2022 will far exceed the average 3% increase. Will this create a “sticker shock” for members who were previously on the fence for continuing their membership? Time will tell. Of course, best practices are for clubs to increase dues annually to keep up with normal inflationary factors—but 2022 may be historic! **CD**

Daniel T. Condon, CPA, James J. Hankowski, CPA, and Matthew P. O'Dell, CPA, are partners at Condon O'Meara McGinty & Donnelly LLP. They can be reached at dcondon@comdcpa.com, jhankowski@comdcpa.com and modell@comdcpa.com.