

EXPERTS' CORNER

Q What does it take to be a “well-governed” club in the eyes of the IRS?

A Tax-exempt clubs that file Form 990 (Federal Return of Organization Exempt from Income Tax) annually with the Internal Revenue Service (IRS) Part VI, Section B questions 12, 13 and 14 of the revised Form 990 ask about the existence of a conflict of interest policy, whistleblower protection policy and a record retention and destruction policy. While such policies are not required under the Internal Revenue Code, according to the IRS, “a well-governed organization is more likely to be tax compliant. As a result, the questions included in the 990 have a twofold purpose—to provide some insight into an organization’s practices as well as to educate organizations about such practices.”

Clubs strive to be the best that they can be in providing services to their members. In this pursuit of perfection, club leadership is generally interested in not only what other well-run clubs do, but also in what would be described as “best practices.” Best practices encompass all club activities across the board. Other key indicators that your club is governed well include having a disaster recovery plan, long-range plan, investment policy, accounting and internal control procedures manual, board of governors policy manual, employee policies and procedures manual and a policy on background checks.



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Q I always seem to be caught between budgeting Capital Expenditure (CAPEX) funds for a possible emergency and losing any excess funds at the end of the year. How can I spend my CAPEX dollars more wisely?

A Every year, the same thing happens. Club executives frantically realize the year will soon be coming to an end and they need to spend CAPEX dollars now! Immediately! Yesterday!—too late in the year for the process to be anything but rushed, stressful and disappoint-

ing. Here's why we recommend not waiting any longer to spend those CAPEX dollars:

Plan ahead. Proactively consider what you might need to replenish or update next spring or summer. Something major could stop working next year and you find you have no budget to replace it and/or experience downtime until a replacement arrives. Check to see if prices are likely to jump next year on essential items you might need. Start planning now and you'll probably see where your remaining budget should go.

Maximize your cash flow. Customers who wait until the last minute typically have to pay upfront on an invoice—weeks or months before their items actually arrive. Buying now means you'll not only have time to shop around for the very best choice, but you'll actually get your items before you have to pay for them.

Give proper lead time to save money. Did you know the average lead time for something as straightforward as a commercial dishwasher is 12 weeks? Between delivery, freight, installation, removal of the old equipment, troubleshooting, and training your associates, trying to rush through any part of the purchasing process can cost you.

Expect the unexpected. Just-in-time delivery just doesn't work. When you're dealing with big-ticket items, high-volume orders and installations, there are a lot of things that derail a meticulous schedule. Back-orders, union regulations, building codes, plumbing and electrical concerns—you name it, we've seen it. You can avoid many of those hiccups—primarily by not doing things at the last minute.

Give new legs to “last legs” items. It's the age-old question of when to buy and when to repair. Even if you've got something you're hoping will last another season without costly repairs, now is the perfect time to take a hard look at those energy-hogging older models. For example, a \$50,000, energy-efficient dishwasher can pay for itself in just two years. How much are dinosaur appliances costing you in energy and maintenance?

Obvious, but worth repeating: If you don't spend your CAPEX dollars by year's end, you won't have those dollars next year.



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Q Do we need to continue to offer a formal dining room at our club?

A This question reflects a key problem with club dining. The label “formal dining room” means the experience is focused around the style of dress rather than the food and other elements of a successful restaurant. While people dine out for a number of reasons, they are seeking tasty food and a great atmosphere. So to the notion of offering formal dining as a room only for members who are dressed up, the answer is “no.” To the question, “is an active and engaging food and beverage operation critical to the success of our club?” the answer is “yes, absolutely.”

As chef and television personality Anthony Bourdain points out in a recent issue of *Celebrated Living* magazine, “the engine of gastronomy has always been necessity or need. So even the fine-dining restaurants are becoming more casual, because that’s what people want.” Interestingly, Bourdain isn’t speaking only about style in this response; he is also referring to the interesting dichotomy taking place in American cuisine. This is an environment where casual ethnic and street food are moving to the center of the plate in upscale dining. The move is decidedly away from homogeneity toward a world of whimsy where high priced traditional foods are replaced by regionally inspired small plates and innovative cuisine.

When it comes to dining style, the issue for today’s clubs is more about separating adults and children than concerns

about the old formal and casual divide. Most members want their club to be a comfortable extension of their home. For some, that will involve meals with young children, but for members past that point in life—as about two-thirds of members are—then they would prefer not to be in a noisy, kid-friendly setting.

What a club really needs is a dining experience that is interesting. The overall space should feature areas where different segments of the membership can be comfortable. Those who like a bar scene with some televisions and a little noise in the background may want to stay right there for their meal. Others could be seeking a little quietude—which is different than stuffy—and they’ll want to be adjacent to the lively bar space, but not in it. Families will fill another zone. And when it’s a nice evening, they’ll all move outside.

What clubs no longer need are dining rooms based on a dress code. They need to be replaced with a full-on dining concept that integrates the look and feel with the menu and service style to match. If you think more like an entrepreneur and less like a rules-based society, you can win your share of the members’ stomach.



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