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Adapt or Perish – Rethinking Your Accounting Function

“It is not the strongest of the species that survives, nor the most intelligent. It is the one that is most adaptable to change.”
– Charles Darwin

Consider the following:

- The American Institute of Certified Public Accountants “2019 Trends in the Supply of Accounting Graduates and the Demand for Public Accounting Recruits” report notes that accounting enrollments were down in 2018 compared with 2016. Bachelor’s were down 4 percent, master’s 6 percent and PhD 23 percent. The number of new CPA exam candidates hit a 10-year low.

- In a September 2019 article in The CPA Journal, Alex Gabbin stated: “Enrollment in James Madison University’s (JMU) School of Accounting over the past four years, for example, has dropped 34 percent in the intermediate accounting courses.”

- Significant accounting enrollment declines exist at other private and public universities, with accounting majors at some private universities down between 35 and 50 percent since 2016.

While these statistics are alarming for the United States economy at large, they are particularly challenging for the private club industry, which is facing a seismic problem in replacing experienced club financial executives who are leaving the industry for a variety of reasons, from retirement to simply not being willing to put up with increasingly poor behavior in club board and finance committee meetings.

As recently as five years ago, most club searches for controllers or chief financial officers would have been handled internally. Today, our experience tells us that if a club isn’t using a specialized search firm, it can expect to wait much longer, often up to five months more, to fill that position.

Given that the demand for financial data and data-driven decision-making in clubs is at an all-time high, boards and executives face a dilemma in addressing the confluence of these forces. The solution may come from a source that the broader business community has long accepted and which is beginning to gain traction with club executives and in club boardrooms – financial accounting outsourcing (FAO) and fractional controllership solutions (FCS).

Both options can provide cost-effective ways for clubs to improve their finance and accounting functions. The key benefits include fractional use of finance and accounting professionals, enhanced processes and technologies, and stronger compliance measures. The remainder of this article will discuss the difference between these options.

Fully implemented FAO typically means the club will not have accounting personnel on-site. Given the often-frequent need for someone at the club to be available to answer questions

from staff, vendors and members, it is easy to see how this all-or-nothing approach may not be palatable to the industry yet.

Some golf management companies, with varying degrees of success, have long maintained a scaled-back form of FAO where there was still an accounting point of contact at the club, usually an accounting clerk who handles routine inquiries like those mentioned earlier – so the concept is not foreign to the club world. FCS typically focuses on replacing or supplementing key strategic financial personnel. For example, many smaller clubs will have a controller or bookkeeper on staff who can handle routine financial transactions associated with payroll, accounts payable and dues billings.

These roles, however, tend not to add horsepower to the club’s strategic thinking. FCS can often provide that additional support when needed. Generally, FCS provides the club with a true chief financial officer with extensive experience in the club or broader hospitality industry. The CFO can provide high-level operational and capital insights and management support to the GM/COO.

Fractional CFOs typically enhance monthly financial packages and closing processes. They can supercharge the club’s decision-making approach with tools like Power BI to design real-time dashboarding and benchmarking for the management team. Often, they will also refine club budgeting and forecasting and manage treasury and cash management functions.

While club staff focuses on the routine accounting process, the GM/COO and the board can reap the benefits of having higher-level financial talent focus on the strategic financial needs of the club when needed.

Will all clubs move to FAO or FCS? No. However, even if a club chooses not to outsource, it is healthy to evaluate FAO and FCS strategies to determine if the club can benefit from what service providers offer. FAO and FCS do not have to be an all-or-nothing proposition. Leveraging technology and cloud-based applications allows clubs to be flexible, with some functions outsourced while others are maintained in-house. The data shared at the start of this article shows that the current finance function model in many clubs will have to evolve.

Outsourcing could enable clubs to scale resources as needed with no obligation to pay salaries or benefit costs. Management and the board would be well served to be fully aware of the options available to them rather than waiting for their financial management function to grind to a halt. **BR**

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