

COUNTRY CLUB OPERATIONS IN 1955

by

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COUNTRY clubs in 1955 did not fare so well as in 1954, according to our seventh annual study of country club operations. Greater sales volume and increases in dues were more than offset by the rising costs of operating the clubhouse and maintaining the golf course and other outside activities. Operating data for the clubs studied are presented in the following three groups:

18 small country clubs, each with membership dues income of under \$150,000 (including regular assessments in three clubs);

14 large country clubs, each with membership dues between \$150,000 and \$250,000 (including regular assessments in two clubs);

2 very large clubs, each with membership dues of over \$250,000 (including a regular assessment in one of the clubs).

In size and scope this study is similar to "Country Club Operations in 1954." All but two of the clubs in that study have been included again this year, but there has been some rearrangement according to total dues and assessments. Since dues are the principal source of club income, they are the most common, acceptable basis for comparing operating data. Income from regular, or recurring, assessments has been added to dues because it is similar in nature to dues. Only assessments which for practical purposes represent dues have been included. Because past studies have shown that country clubs with annual dues and assessments of \$50,000 have little in common with those having \$600,000 of such income, the clubs have been grouped on the basis of total dues income.

Following the conclusion of this article

is a summary of operations of the two groups expressed in relation to dues and assessment income. Total amounts and percentages of increase or decrease from 1954 are also given. The two clubs with dues of over \$250,000 were not included because their operating figures are of such magnitude that they would disproportionately affect the group averages if included with the 14 large country clubs.

Principal Findings

Comments on some of the principal findings of our study of country club operations in 1955 follow:

Both the small and large country clubs had poorer results than in 1954. There were smaller amounts of dues available for depreciation because of substantial increases in undistributed operating expenses, in net cost of golf and grounds and in fixed charges, offset partly by improvements in departmental profits. After depreciation and rehabilitation expenses, both groups of clubs recorded deficiencies in dues available for members' equity, but in 1955 the small clubs lost less ground financially than the large clubs.

The average of 21.4¢ of each dues dollar expended by the small clubs and the 26.5¢ expended by the large clubs for depreciation and rehabilitation are distorted by heavy improvement and rehabilitation programs in several of the clubs. The funds for such heavy expenditures came from special gifts, assessments, initiation and transfer fees and other sources, all of which are excluded from income in our study as they do not pertain to regular club operations. The median averages for depreciation and rehabilitation are 18.0¢ for the small clubs and 13.0¢ for the large clubs. On the basis of the median averages which eliminate the afore-mentioned distortions,

there should be a deficiency of 5.2¢ in the dues dollar of the small clubs and one of 5.1¢ in the large clubs. Thus the dues income is not yet sufficient to cover cash operating expenses and depreciation and provide a reserve for emergencies or an increase in members' equity.

Where Dues Dollar Goes

Breaking down the dues dollar of the small clubs, we find that it was spent in the following ways: clubhouse operations: 30.7¢ in 1955, compared with 28.8¢ in 1954; golf and grounds: 36.8¢, compared with 34.4¢; other outside activities: 1.1¢, compared with 1.4¢; and fixed charges: 18.6¢, compared with 17.5¢. This left an average 12.8¢ of dues available for depreciation, in contrast to 17.9¢ in the preceding year.

A similar breakdown of the dues dollar of the large clubs is as follows: clubhouse operations: 42.5¢ in 1955, compared with 42.4¢ in 1954; golf and grounds: 31.0¢, compared with 29.2¢; other outside activities: 2.3¢, compared with 2.3¢; and fixed charges: 16.3¢, compared with 15.4¢. Thus, there remained 7.9¢ of dues available for depreciation, as against 10.7¢ for the preceding year.

Club Payroll Up Slightly

Total club payroll in ratio to total income, including dues and assessments, showed slight increases over 1954 in both groups of clubs. Payroll took 37.7% of total income in the large clubs, compared with 37.3%, and 41.1%, as against 40.8%, in the small clubs. Total restaurant payroll recorded even smaller increases and in ratio to total food and beverage sales actually showed decreases. Thus gains in food and beverage income more than offset the rises in payroll and, together with reductions in the food and beverage costs per dollar sale, resulted in higher departmental profits in both the small and large clubs. But the increases in food and beverage departmental profit, 2.6 points in ratio to dues and assessments in each group, were not sufficient to effect decreases in the net cost of clubhouse operations.

Average food checks were reported by 16 of the clubs:

\$4.03	\$3.01	\$2.86	\$2.42
3.70	2.92	2.84	2.23
3.22	2.89	2.69	2.06
3.08	2.89	2.53	1.72

Several clubs have special charges in effect to help defray the expenses connected with food and beverage departmental operations. Six clubs charge members a minimum of \$10.00 per month for food, one of them charging all other than regular members only \$5.00 per month. Five clubs have surcharges of 10% to 15%, used as income or to offset payroll. Two clubs collected 15% on food and beverage sales for distribution to employees, while a third club charged 12½% on food and 3% on beverage sales. Another club has a mixed service charge-surcharge which is divided, 11% to employees and 4% to income.

Dues and Entrance Fees

The annual dues and entrance fees charged by the 34 clubs participating in this study are summarized as follows:

SMALL CLUBS

Annual Dues Per Regular Member

Under \$100	1	Under \$300	2
\$110	1	\$300	2
\$165-\$200	5	\$301-\$350	4
\$225-\$290	5	\$360-\$400	5
\$300	5	\$500	1
\$350	1	\$600	2
Total	18	Total	16

LARGE CLUBS

Entrance Fees Per Regular Member

Under \$200	4	\$400 and under	4
\$200-\$400, inc.	7	\$500	6
\$500	4	\$750	1
\$900	1	\$1,500	2
\$1,150	1	\$2,000	1
\$2,000	1	\$3,000	2
Total	18	Total	16

Dues, fees and assessments were increased during the year by several clubs. The annual dues per regular member were raised in five clubs by \$15, \$25, \$36, \$60 and \$180. Ten clubs increased their initiation

Summary of Operations, 1955 and 1954

18 Small Country Clubs

(Dues under \$150M)

	<i>Ratios to Dues and Assessments</i>		<i>Amounts</i> 1955	<i>Increase or Decrease from 1954</i>	
	1955	1954		<i>Amount</i>	<i>Percentage</i>
Membership dues	91.9%	91.1%	\$ 1,413,315	\$ 52,661	3.9%
Assessments	8.1	8.9	125,324	r7,306	r5.5
Total	100.0	100.0	1,538,639	45,355	3.0
Deduct net cost of operations					
Clubhouse (detail below)	30.7	28.8	473,271	42,708	9.9
Golf, grounds and outside activities	37.9	35.8	582,438	49,285	9.2
Total	68.6	64.6	1,055,709	91,993	9.5
Net before fixed charges	31.4	35.4	482,930	r46,638	r8.8
Rent, taxes and insurance, and interest ..	18.6	17.5	285,626	24,010	9.2
Dues* available for depreciation	12.8%	17.9%	\$ 197,304	\$ r70,648	r26.4%
Detail of clubhouse operation					
Food and beverage net departmental profit	35.8%	33.2%	\$ 550,436	\$ 54,161	10.9%
Rooms, locker rooms and other sources of income—net	9.4	8.1	144,992	24,263	20.1%
Total	45.2	41.3	695,428	78,424	12.7
Undistributed operating expenses					
Clubrooms	16.0	15.5	246,288	15,187	6.6
Entertainment	3.7	3.5	57,223	4,388	8.3
Administrative and general	34.9	32.7	537,013	48,562	9.9
Heat, light and power	10.6	9.9	163,189	14,688	9.9
Repairs and maintenance	10.7	8.5	164,986	38,307	30.2
Total	75.9	70.1	1,168,699	121,132	11.6
Net clubhouse cost—above	30.7%	28.8%	\$ 473,271	\$ 42,708	9.9%
Restaurant sales					
Food			\$ 1,732,704	\$ 125,061	7.8%
Beverages			1,168,212	74,606	6.8
Total			\$2,900,916	\$ 199,667	7.4%
Total sales and other income†			\$3,529,488	\$ 248,057	7.6%
Payroll					
Restaurant			\$ 823,794	\$ 46,154	6.0%
Total club			1,908,606	\$ 128,225	7.2

M—thousands.

* Dues plus assessments in five clubs.

r—red figure.

† Excluding income from dues and initiation and transfer fees.

or entrance fees: one by \$25, two by \$250, four by \$300, two by \$500 and one by \$1,000. The annual assessments per member were slightly higher in two clubs, while one club which had assessed its members \$250 each in 1954 did not collect an assessment in 1955.

Of the clubs reporting dues as to classes, the small clubs reported that the "regular" members who constituted 60% of their membership contributed 71% of the dues

income. The large clubs reported that the regular members constituted 54% of the membership and contributed 77% of the dues income.

Golf Course Upkeep Rises

The cost per hole for the upkeep of the golf course and grounds averaged \$2,022 for the small clubs and \$2,601 for the large clubs, rises of 8% and 7%, respectively, over the preceding year. In ratio to

Summary of Operations, 1955 and 1954

14 Large Country Clubs

(Dues of \$150M to \$250M)

	Ratios to Dues and Assessments		Amounts 1955	Increase or Decrease from 1954	
	1955	1954		Amount	Percentage
Membership dues	96.6%	93.5%	\$2,401,596	\$ 113,674	5.0%
Assessments	3.4	6.5	85,405	r72,570	r46.0
Total	100.0	100.0	2,487,001	41,104	1.7
Deduct net cost of operations					
Clubhouse (detail below)	42.5	42.4	1,057,084	19,239	1.9
Golf, grounds and outside activities	33.3	31.5	827,486	56,658	7.4
Total	75.8	73.9	1,884,570	75,897	4.2
Net before fixed charges	24.2	26.1	602,431	r34,793	r5.5
Rent, taxes and insurance, and interest ..	16.3	15.4	406,675	30,718	8.2
Dues* available for depreciation	7.9%	10.7%	\$ 195,756	\$ r65,511	r25.1%
Detail of clubhouse operation					
Food and beverage net departmental profit	18.1%	15.5%	\$ 449,869	\$ 70,354	18.5%
Rooms, locker rooms and other sources of income—net	5.2	4.9	128,482	9,486	8.0
Total	23.3	20.4	578,351	79,840	16.0
Undistributed operating expenses					
Clubrooms	15.3	14.9	380,546	15,737	4.3
Entertainment	2.9	2.4	69,331	9,910	16.7
Administrative and general	31.5	30.0	783,230	51,506	7.0
Heat, light and power	8.1	7.8	202,360	10,812	5.6
Repairs and maintenance	8.0	7.7	199,968	11,114	5.9
Total	65.8	62.8	1,635,435	99,079	6.4
Net clubhouse cost—above	42.5%	42.4%	\$1,057,084	\$ 19,239	1.9%
Restaurant sales					
Food			\$2,151,910	\$ 134,090	6.6%
Beverages			1,254,154	\$ 56,982	4.8
Total			\$3,406,064	\$ 191,072	5.9%
Total sales and other income†			\$4,175,148	\$ 284,107	7.3%
Payroll					
Restaurant			\$1,114,727	\$ 42,895	4.0%
Total club			2,736,950	149,876	5.8

M—thousands.

* Dues plus assessments in five clubs.

r—red figure.

† Excluding income from dues and initiation and transfer fees.

total dues and assessments, the gross maintenance cost of the golf course and grounds in the small clubs was 41.4%, an increase of 2 points over 1954, while in the large clubs the maintenance cost was 32.0% of dues and assessments, an increase of 1.6 points. We wish to point out that this cost does not include any fixed-asset costs (improvements, additions, replacements or depreciation), nor any fixed charges, such as real estate taxes and interest on bor-

rowed capital.

In conclusion, we wish to point out that the value of this study to a particular club is entirely dependent upon the ways in which the data are used. Since the "Uniform System of Accounts for Clubs" is followed in compiling the study, the results of those clubs already following the system will be most easy to compare with the operating results shown in this study.