

COUNTRY CLUB OPERATIONS IN 1957

BY

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Only the large country clubs had dues available for members' equity in 1957 but only the small clubs showed an improvement in operating results over 1956, according to Horwath and Horwath's ninth annual study of country club operations. The amount of dues available for members' equity in the large clubs was less than in 1956, while the deficiency of dues shown by the medium-sized clubs was slightly larger than in the preceding year. The clubs supplying operating data for the study have been divided into the following groups:

- 18 small country clubs, each with membership dues income of under \$100,000 (including regular assessments in two clubs);
- 20 medium-sized country clubs, each with membership dues income of between \$100,000 and \$200,000 (including regular assessments in four clubs);
- 12 large country clubs, each with membership dues income of between \$200,000 and \$300,000 (including regular assessments in four clubs).

This study is similar in scope to those of the three preceding years, but we have increased the number of clubs studied. All but one of the clubs included in "Country Club Operations in 1956" are used in this study. However, because of the additional representation, we present averages for three, instead of two, groups of country clubs, divided 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 all practical purposes are dues have been included.

On page 14 is a summary of the operations of the three groups expressed in

relation to dues and assessment income for both 1957 and 1956.

An increase in sales volume and a reduction in repairs and maintenance expenses in the small clubs resulted in a decrease from 1956 in the net cost of clubhouse operations. This decrease, combined with a rise in dues and assessment income, more than offset the increases in the cost of outside activities, particularly golf, and in fixed charges, including rent, taxes and insurance; thus, the small clubs had more dues available for depreciation in 1957 than in 1956.

On the other hand, both the large and medium-sized clubs had a smaller proportion of dues available for depreciation than in the preceding year, although in the latter group there was a slight increase in the total amount available for depreciation. Increases in sales and reduction in repairs and maintenance in those two groups were not sufficient to effect decreases in the net cost of clubhouse operations. There was a slight decrease in the net cost of outside activities, but an increase in total fixed charges, in the medium-sized clubs.

In the large clubs there were rises in the net dollar cost of outside activities and in the total amount of fixed charges, although, in relation to dues and assessment income, fixed charges showed no change from 1956.

After depreciation and rehabilitation expenses, the small clubs again showed a deficiency in dues available for members' equity, although a decrease in the deficiency reflected the improvement in their operations.

On the other hand, the deficiency in dues available for members' equity shown by the medium-sized clubs was larger than in the preceding year.

As in 1956, the large clubs had a small amount of dues available for members' equity in 1957, but it was less in both amount and ratio to dues than in the preceding year.

Condensed from the Horwath Hotel Accountant.

SUMMARY OF OPERATIONS, 1957 AND 1956

	18 Small Country Clubs (Dues* under \$100m)		30 Medium Country Clubs (Dues* of \$100m to \$200m)		12 Large Country Clubs (Dues* of \$200m to \$300m)	
	1957	1956	1957	1956	1957	1956
Membership dues	\$ 79M	\$ 77M	\$ 134M	\$ 127M	\$ 223M	\$ 209M
Assessments	23	18	44	46	40	37
Total	\$ 82M	\$ 79M	\$ 143M	\$ 137M	\$ 237M	\$ 222M
SUMMARY OF OPERATIONS						
Income from dues and assessments	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Deduct cost of operations (Bold type represents net income)						
Clubhouse (detail below)	34.5	37.3	41.1	41.0	40.5	39.0
Golf and grounds—net	39.2	38.3	31.0	31.0	25.2	24.7
Swimming pool—net	2.1 ^b	2.3 ^b	1.4 ^b	1.6 ^b	.8 ^b	.8 ^b
Tennis—net	1.7 ^b	1.2 ^b	2.4 ^b	2.2 ^b	1.9 ^b	2.3 ^b
Other outside activities—net	.5 ^a	.4 ^b	c ^b	.7 ^b	.5 ^b	.4 ^b
Total	75.8	77.7	74.1	74.2	67.9	66.0
Net before fixed charges	24.2	22.3	25.9	25.8	32.1	34.0
Fixed charges						
Rent	22.6 ^b	19.7 ^b	7.1 ^b	7.1 ^b	5.7 ^a	4.2 ^b
Taxes and insurance	7.5 ^b	6.8 ^b	11.2 ^b	11.0 ^b	12.6	12.2
Interest	4.1 ^b	3.3 ^b	5.2 ^b	5.0 ^b	5.7 ^b	6.2 ^b
Total	17.2	15.7	16.1	15.9	16.8	16.8
Dues* available for depreciation	7.0	6.6	9.8	9.9	15.3	17.2
Depreciation and/or rehabilitation expenditures or reserves						
Depreciation	16.4 ^b	16.1 ^b	18.1 ^b	16.6 ^b	11.3 ^b	11.1 ^b
Rehabilitation	12.4 ^b	14.5 ^b	12.4 ^b	13.3 ^b	13.0 ^b	12.6 ^b
Total	16.5 ^b	17.2 ^b	17.0	16.7	13.2	13.9
Dues* available for members' equity	7.8%	8.2%	7.2%	6.8%	2.1%	3.3%
CLUBHOUSE OPERATION						
Departmental profit or loss (†)						
Food	4.5 ^b %	4.2 ^b %	.1 ^b %	1.0 ^b %	1.8 ^b %	2.5 ^b %
Beverages	34.2 ^b	32.3 ^b	22.9 ^b	23.6 ^b	17.9 ^b	18.0 ^b
Total	37.1	35.0	21.4	20.6	16.2	17.8
Rooms	5.4 ^b	5.3 ^b	12.6 ^b	9.5 ^b	4.2 ^b	6.1 ^b
Locker rooms	1.0 ^b	.5 ^b	1.9 ^b	1.4 ^b	1.2 ^b	1.2 ^b
Other sources of income ^d	6.5	7.3	4.0	3.9	5.9	5.7
Total	44.9	43.4	28.0	26.8	21.6	23.6
Undistributed operating expenses						
Clubrooms	14.1	14.2	16.5	15.9	13.6	13.9
Entertainment—net	4.3	4.6	3.6	3.4	3.4 ^b	3.4 ^b
Administrative and general	39.2	37.5	32.3	31.4	30.5	29.9
Heat, light and power	11.5	10.8	8.9	8.6	8.1	8.0
Repairs and maintenance	10.3	13.6	7.8	8.5	7.1	7.9
Total	79.4	80.7	69.1	67.8	62.1	62.6
Net clubhouse cost	34.5%	37.3%	41.1%	41.0%	40.5%	39.0%
FOOD AND BEVERAGE STATISTICS						
Cost per dollar sale						
Food (before credit for employees' meals)	56.7¢	57.2¢	56.9¢	58.2¢	55.3¢	55.0¢
Beverages (exclusive of bottle sales)	34.8	36.8	33.6	33.4	36.4 ^b	36.1 ^b
Ratios to food and beverage sales						
Payroll	27.8%	27.6%	30.9%	30.9%	33.0%	32.7%
Departmental profit	19.0	18.2	15.5	15.1	12.4	13.3
GROSS MAINTENANCE COST OF GOLF COURSE AND GROUNDS*						
Per golf course hole	\$1887	\$1807	\$2718	\$2583.	\$2765	\$2510
Ratio to membership dues*	40.5%	39.8%	37.1%	36.9%	26.3%	25.5%

m—thousands. a—All ratios are to membership dues (dues plus assessments in Clubs 6, 12, 19, 26, 31, 32, 43, 44, 48 and 49)
b—Average only of those clubs reporting this item. c—negligible. d—Income from initiation or entrance and transfer fees is excluded. e—Does not include greens fee income nor costs for golf shop, caddies, fixed assets and fixed charges (see explanatory text). Three clubs have 36-hole courses; four have 27-hole courses; one, 9; and the remainder, 18. r—red figures

Depreciation and Rehabilitation

The average cost of depreciation for those clubs recording depreciation increased over 1956 in all three groups of clubs. Depreciation averaged 16.4% of dues in 1957 in the small clubs, compared with 16.1% in 1956. In the medium-sized clubs, depreciation was 18.1% of dues in 1957, in contrast to 16.6% in the pre-

ceding year, and, in the large clubs, it was 11.3%, against 11.1%. Rehabilitation expenditures and/or reserves, before adjustments explained later, averaged 25.5% of dues in 1957 for the small clubs, compared with 29.9% in 1956; 15.5% for the medium-sized clubs, compared with 21.3%; and 20.4% for the large clubs, against 13.7%.

Thus, of each dues dollar, the small clubs expended an average of 22.6c for depreciation and rehabilitation; the medium-sized clubs, 18.7c; and the large clubs, 17.4c.

However, these averages were 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 our study as they do not pertain to regular club operations. In order to show more equitable average ratios for depreciation and rehabilitation and, consequently, for dues available for members' equity, we limited to 20% of total dues and assessment income, the individual amounts of rehabilitation included in the computation of the averages shown on page 14. The adjusted averages for depreciation and rehabilitation, after we eliminated the aforementioned distortions, were 16.5% of dues for the small clubs, 17.0% for the medium-sized clubs and 13.2% for the large clubs. The small clubs still showed a deficiency of 7.6% of dues, and the medium-sized clubs, one of 7.2%, while the large clubs had an average of 2.1% of dues available for members' equity.

Breaking down the dues dollar of the small clubs, we find it was spent in the following ways: clubhouse operations, 34.5c in 1957, compared with 37.3c in 1956; golf and grounds, 39.2c, compared with 38.3c; other outside activities, 2.1c, the same as in 1956; and fixed charges, 17.2c, in contrast to 15.7c. Thus, there remained an average of 7.0c of dues available for depreciation, compared with 6.6c in the preceding year.

A similar breakdown of the dues dollar of the medium-sized clubs is as follows: clubhouse operations, 41.1c in 1957, compared with 41.0c in 1956; golf and grounds, 31.0c, the same as in 1956; other outside activities, 2.0c, compared with 2.2c; and fixed charges, 16.1c, compared with 15.9c. This left an average of 9.8c of dues available for depreciation, compared with 9.9c in the preceding year.

A breakdown of the dues dollar of the large clubs follows: clubhouse operations, 40.5c, compared with 39.0c in 1956; golf and grounds, 25.2c, compared with 24.7c; other outside activities, 2.2c, compared

with 2.3c; and fixed charges, 16.8c, the same as in 1956. There remained 15.3c of dues available for depreciation, compared with 17.2c in the preceding year.

Total club payroll was higher than in 1956 in all three groups of clubs, but only in the small clubs was the proportionate rise greater than the increase in total income, including dues and assessments. The ratio of total club payroll to total income was the same as in 1956 in the medium-sized clubs and lower than in the preceding year in the large country clubs.

Restaurant payroll followed similar patterns in the small and medium-sized clubs, but in the large clubs, the increase in the amount of food and beverage payroll was also reflected in the fractional rise in the ratio of this departmental payroll to total food and beverage sales. This rise in payroll in the large clubs, together with increases in the food and beverage costs, resulted in a decrease in the departmental profit in both amount and ratio to sales. In the medium-sized clubs, in which the ratio of restaurant payroll to sales was unchanged from 1956, there was a decrease in the food cost per dollar sale and a rise in the beverage cost per dollar sale and, consequently, a small increase in the ratio of departmental profit to total food and beverage sales. In the small clubs, reduction in the food and beverage costs per dollar sale more than offset the rise in the ratio of the departmental payroll to total food and beverage sales and effected an increase in the departmental profit.

The small clubs had a higher average ratio of restaurant departmental profit to total food and beverage sales and also to total dues and assessment income than the other two groups. The good restaurant results in the small clubs was the chief factor contributing to the low cost of clubhouse operations in these clubs.

Average Food Check Covers Wide Range

Average food checks were reported by 19 of the clubs as follows:

\$4.65	\$3.07	\$2.87	\$2.42
4.51	3.05	2.82	2.14
4.02	3.05	2.80	2.14
3.23	2.98	2.58	1.67
3.22	2.91	2.45	

The annual dues and entrance fees charged by the 50 clubs participating in this study are summarized as follows:

SMALL CLUBS

Annual Dues Per Regular Member		Entrance Fees Per Regular Member	
\$100	2	\$100 and under	3
\$130-\$180	3	\$200	3
\$200-\$225	5	\$225-\$250	3
\$250-\$290	2	\$300-\$400	4
\$300	3	\$500	4
\$360-\$400	3	\$2,000	1
Total	18	Total	18

MEDIUM CLUBS

Under \$300	4	\$400 and under	4
\$300	6	\$500	5
\$350	3	\$600-\$750	3
\$360	2	\$1,000	2
\$372-\$400	3	\$1,200-\$1,860	4
\$420-\$450	2	\$2,000-\$3,000	2
Total	20	Total	20

LARGE CLUBS

Under \$300	5	\$400 and under	4
\$325	1	\$500	2
\$360-\$375	4	\$850	1
\$500-\$540	2	\$1,000	2
\$600	1	\$1,500	2
\$720	1	\$3,000-\$4,000	3
Total	14	Total	14

Some Clubs Raised Dues in 1957

Dues, fees and assessments were increased during the year by some of the clubs, and several clubs which did not collect an assessment in 1956 did assess their members in 1957. Eight clubs increased the annual dues per regular member: one by \$12, one by \$25, two by \$40, two by \$50, one by \$60 and one by \$120. The entrance or initiation fees charged to regular members were raised \$30 by two

clubs, \$100 by two clubs, \$150 by one club, \$250 by one club, \$500 by one club, and \$1,000 by three clubs.

Both the small and large clubs showed increases over 1956 in the gross maintenance cost of golf course and grounds as well as in the net cost of golf and grounds, as measured by the average ratios to dues. The medium-sized clubs also recorded an increase in the gross maintenance cost of golf course and grounds, but no change from the preceding year in the net cost. However, the medium-sized clubs recorded the same net cost of golf and grounds in 1957 and 1956 only because the increase in total dues and assessment income kept pace with the increase in the cost of golf.

Golf Course Upkeep Higher

The cost per hole for the upkeep of the golf course and grounds averaged \$1,887 for the small clubs, \$2,718 for the medium-sized clubs and \$2,765 for the large clubs, rises of 4%, 5% and 10%, respectively. The greens and grounds maintenance payroll, which constitutes approximately two-thirds of the gross maintenance costs, rose 7% over 1956 in each of the three groups. We wish to point out, however, that this cost does not include any fixed asset costs (improvements, ad-

(Continued on page 22)

GOLF COURSE AND GROUNDS EXPENSES

	COST PER HOLE					
	18 Small Country Clubs (Dues under \$100,000)		20 Medium Country Clubs (Dues of \$100,000 to \$200,000)		12 Large Country Clubs (Dues of \$200,000 to \$300,000)	
	1957	1956	1957	1956	1957	1956
Greens and grounds maintenance						
Payroll	\$1319	\$1228	\$1810	\$1691	\$1891	\$1767
Supplies and contracts	339	349	513	553	394	361
Repairs to equipment, course buildings, fences, bridges, etc.	161	159	203	178	302	242
Water, electricity and other expenses	68	71	192	161	178	140
Total maintenance exclusive of fixed charges	1887	1807	2718	2583	2765	2510
Golf shop, caddie and tournament expenses	285	273	314	293	417	407
Total	2172	2080	3032	2876	3182	2917
Deduct green fees	345	344	737	698	532	482
Net golf course and grounds expense exclusive of fixed charges	\$1827	\$1736	\$2295	\$2178	\$2650	\$2435