

COUNTRY CLUB OPERATIONS IN 1960

By

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Country clubs came a little closer to making ends meet in 1960 than in 1959 as the result of rather substantial increases in dues income. That is the principal finding of our twelfth annual study of country club operations.

While none of the groups of clubs included in our study had dues income available for members' equity in 1960, the deficiencies of the medium-sized and large clubs were lower than in the preceding year. The ratio of the deficiency to dues for the small clubs was the same as in 1959.

There has been a steady upward trend in both dues income and the cost of operations in recent years. Unfortunately, the amount of money coming in has not always increased at a faster rate than the amount going out.

The three groups into which the clubs supplying operating data for this study have been divided are as follows:

10 small country clubs, each with membership dues income of under \$100,000 (including a regular assessment in one club);

26 medium-sized country clubs, each with membership dues income of between \$100,000 and \$200,000 (including regular assessments in four clubs);

14 large country clubs, each with membership dues income of between \$200,000 and \$400,000 (including regular assessments in four clubs); and

2 very large clubs, each with membership dues income of over \$400,000.

On page 20 is a summary of the average operations of the three groups expressed in relation to dues and assessment income for both 1960 and 1959. The two clubs with dues income of over \$400,000 were again handled separately because the operating figures of these clubs are of such magnitude that they would disproportionately affect the group averages of even the 14 large country

clubs. However, we present the 1960 sales and income of all the clubs included in the study and also comparisons with 1959 of the most important expenses and results of the individual clubs.

Operating Expense Ratios

The ratio of operating expenses to dues income of the medium-sized country clubs, at 74.4%, was down 2.1 points from the preceding year. The similar ratio of the small clubs, at 78.5%, was a decline of .1 of a point, while that of the large country clubs, at 70.9%, was a rise of .6 of a point. All three groups showed decreases in the proportion of income required for fixed charges. Because 1960 dues income rose faster than operating costs and fixed charges, two of the groups were able to report increases in the proportion of such income available for depreciation.

Depreciation and Rehabilitation

Only the large country clubs had depreciation charges rise in relation to dues income, but the ratio for that group was still far below the corresponding ratios for the medium-sized and small country clubs. The percentages of dues income allotted for rehabilitation expenditures and/or reserves were up in all three groups, with the rise of 7.4 points in the medium-sized group being the sharpest. In preparing these studies, however, it is our policy to make an adjustment for the heavy rehabilitation and improvement programs undertaken by some of the clubs in our sample each year. The funds for such large expenditures on rehabilitation and improvements usually come 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. Thus, in order to show more equitable average ratios for rehabilitation and, consequently, for dues available for members' equity, we

SUMMARY OF OPERATIONS, 1960 AND 1959

	10 Small Country Clubs (Dues ^a under \$100m ¹)		26 Medium Country Clubs (Dues ^a of \$100m to \$200m ¹)		14 Large Country Clubs (Dues ^a of \$200m to \$400m ¹)	
	1960	1959	1960	1959	1960	1959
Membership dues	\$78M	\$73M	\$141M	\$130M	\$263M	\$245M
Assessments	18 ^b	37 ^b	47 ^b	31 ^b	33 ^b	40 ^b
Total	\$80M	\$77M	\$148M	\$135M	\$272M	\$256M
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)	35.9	34.3	42.9	42.9	42.7	42.1
Golf and grounds—net	41.1	40.9	29.5	31.4	25.5	26.0
Swimming pool—net	3.0 ^b	3.4 ^b	1.4 ^b	1.4 ^b	1.1 ^b	7 ^b
Tennis—net	.9 ^b	1.1 ^b	2.1 ^b	2.2 ^b	2.5 ^b	2.3 ^b
Other outside activities—net	5.5 ^b	.5 ^b	.6 ^b	.2 ^b	.4 ^b	.3 ^b
Total	78.5	78.6	74.4	76.5	70.9	70.3
Net before fixed charges	21.5	21.4	25.6	23.5	29.1	29.7
Fixed charges						
Rent	20.3 ^b	20.8 ^b	15.6 ^b	16.1 ^b	4.8 ^b	5.6 ^b
Taxes and insurance	7.0	6.5	12.1 ^b	12.0 ^b	12.9	12.6
Interest	6.6 ^b	8.0 ^b	3.7 ^b	4.3 ^b	5.6 ^b	6.4 ^b
Total	16.0	16.1	17.4	17.9	17.6	18.0
Dues ^a available for depreciation	5.5	5.3	8.2	5.6	11.5	11.7
Depreciation and/or rehabilitation expenditures or reserves						
Depreciation	16.2 ^b	17.9 ^b	19.6 ^b	20.2 ^b	12.9 ^b	12.4 ^b
Rehabilitation	4.6 ^b	4.3 ^b	11.5 ^b	12.0 ^b	10.4 ^b	10.5 ^b
Total	15.3	16.4 ^b	15.9 ^b	16.4 ^b	14.0	15.1
Dues ^a available for members' equity	r9.8%	r9.8%	r7.3%	r10.4%	r2.5%	r3.4%
CLUBHOUSE OPERATIONS						
Departmental profit or loss (r)						
Food	2.5 ^b %	3.0 ^b %	r1.2 ^b %	.7 ^b %	2.4 ^b %	1.0 ^b %
Beverages	28.4 ^b	29.3 ^b	22.9 ^b	24.9 ^b	16.9 ^b	18.4 ^b
Total	29.5	31.6	20.4	23.9	16.5	17.7
Rooms	5.2 ^b	7.6 ^b	8.2 ^b	10.0 ^b	3.7 ^b	3.6 ^b
Locker rooms	r1.1 ^b	r.6 ^b	r1.3 ^b	r1.6 ^b	r1.4 ^b	r1.2 ^b
Other sources of income ^c	3.9	3.7	4.5	3.9	5.8	5.5
Total	33.4	35.9	25.5	28.5	22.3	23.3
Undistributed operating expenses						
Clubrooms	11.4	11.4	11.1	11.7	16.2	16.6
Entertainment—net	3.4	4.4	3.8	4.1	3.7 ^b	3.5 ^b
Administrative and general	39.1	38.7	35.2	35.8	32.0	31.5
Heat, light and power	8.4	8.5	9.3	10.0	7.1	7.4
Repairs and maintenance	7.0	7.2	9.0	9.8	6.8	7.1
Total	69.3	70.2	68.4	71.4	65.0	65.4
Net clubhouse cost	35.9%	34.3%	42.9%	42.9%	42.7%	42.1%
FOOD AND BEVERAGE STATISTICS						
Cost per dollar sale						
Food (before credit for employees' meals)	58.2c	56.6c	56.5c	56.6c	53.6c	54.9c
Beverages (exclusive of bottle sales)	36.0	35.5	34.1	34.1	33.8 ^b	34.1 ^b
Ratios to food and beverage sales						
Payroll	26.7%	27.3%	31.9%	31.0%	33.7%	32.8%
Departmental profit	18.0	18.8	14.3	15.5	13.9	14.0
GROSS MAINTENANCE COST OF GOLF COURSE AND GROUNDS^d						
Per golf course hole	\$1959	\$1852	\$2797	\$2668	\$3338	\$3165
Ratio to membership dues ^a	44.3%	43.2%	34.7%	36.3%	28.6%	28.8%

^m—thousands. ¹—All ratios are to membership dues (dues plus assessments in Clubs 8, 19, 28, 32, 36, 41, 42, 43 and 49).

^b—Average only of those clubs reporting this item. ^c—Income from initiation or entrance and transfer fees is excluded.

^d—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; three have 27-hole courses; and the remainder, 18, r—red figures.

have limited to 20% of dues income the individual amounts of rehabilitation included in the computation of the averages shown on this page. After such adjustments, both the medium-sized and large clubs showed slight decreases from 1959, while the small clubs, which had no actual adjustments, still showed a slight increase.

Payroll Ratios

In both the small and the large clubs the ratio of total payroll to total income, including dues and assessments, was higher in 1960 than in 1959, while in the medium-sized clubs the increase in total income made possible a slight decrease in the payroll ratio. In 1960 the small country clubs continued to spend less of

their total income on payroll than the medium-sized and large clubs, the ratios being 38.0%, 38.9% and 40.3%, respectively. However, the differences between the payroll ratio for the small clubs and those for the other groups were not as great as in the preceding year. The small clubs also continued to have the lowest ratio of the net cost of clubhouse operations to dues income, the good showing undoubtedly being the result of a less complex style of operations which helped to bring about many savings, including that in payroll.

Golf Course and Grounds Expenses

The gross maintenance cost of golf course and grounds was higher than in 1959 in all three groups of country clubs. In ratio to total dues income, however, only the small clubs showed an increase. The gross maintenance cost in 1960 was 44.3% of dues in the small clubs, 34.7% in the medium-sized clubs and 28.6% in the large clubs, compared with 43.2%, 36.3% and 28.8%, respectively, in the preceding year. Although the small clubs spent a larger portion of their dues dollar on these expenses than did the other groups, the cost per hole was highest in the large clubs. The gross maintenance cost per hole in 1960 was \$1,959 for the small clubs, \$2,797 for the medium-sized clubs and \$3,338 for the large clubs. In the preceding year this cost was \$1,852 for the small clubs, \$2,668 for the medium-sized clubs and \$3,165 for the large clubs. The table at the bottom of this page, which summarizes the operating costs of the golf course and

grounds, emphasizes the general increases in these expenses.

The greens and grounds maintenance payroll, which constitutes approximately two-thirds of the gross maintenance costs, was higher for all three groups of clubs than in 1959. It was \$1,261 per hole for the small clubs, \$1,927 per hole for the medium-sized clubs and \$2,349 per hole for the large clubs in 1960. The corresponding 1959 figures were \$1,223, \$1,824 and \$2,250. We wish to point out that these golf and grounds costs do not include any fixed-asset costs (improvements, additions, replacements or depreciation) nor any fixed charges, such as real estate taxes, property insurance or interest on borrowed capital. The net cost of golf and grounds per hole, after the addition of golf shop, caddy and tournament expenses and the deduction of greens fees and other golf income, was \$1,819 for the small clubs, \$2,372 for the medium-sized clubs and \$3,023 for the large clubs in 1960, compared with \$1,751, \$2,307 and \$2,896, respectively, in 1959. In 1960 the ratio of the net cost of golf and grounds to dues income was 41.1% in the small clubs, 29.5% in the medium-sized clubs and 25.5% in the large clubs, compared with ratios of 40.9%, 31.4% and 26.0%, respectively, in the preceding year. Therefore, only the small clubs had to use a larger portion of dues income for golf and grounds in 1960 than in 1959. All three groups of clubs showed fairly substantial gains in greens fees per hole in 1960, compared with 1959.

Golf Course and Grounds Expenses

	COST PER HOLE					
	10 Small Country Clubs (Dues under \$100,000)		26 Medium Country Clubs (Dues of \$100,000 to \$200,000)		14 Large Country Clubs (Dues of \$200,000 to \$400,000)	
	1960	1959	1960	1959	1960	1959
Greens and grounds maintenance						
Payroll	\$1261	\$1223	\$1927	\$1824	\$2349	\$2250
Supplies and contracts	482	431	497	478	556	488
Repairs to equipment, course buildings, fences, bridges, etc.	164	153	219	229	230	244
Water, electricity and other expenses	52	45	154	137	203	183
Total maintenance exclusive of fixed charges	1959	1852	2797	2668	3338	3165
Golf shop, caddy and tournament expenses	260	264	392	379	481	436
Total	2219	2116	3189	3047	3819	3601
Deduct greens fees	400	365	817	740	796	705
Net golf course and grounds expense exclusive of fixed charges	\$1819	\$1751	\$2372	\$2307	\$3023	\$2896