

COUNTRY CLUB OPERATIONS IN 1956

by

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The large country clubs fared much better in 1956 than in 1955, but the financial results of the small clubs were approximately the same in both years, according to Horwath and Horwath's eighth annual study of country club operations. Greater sales volume and increased dues income effected improvements in all phases of operations in the large clubs, but in the small clubs, the increase in income was more than offset by the rising costs of operating the clubhouse, particularly the food and beverage facilities. The cost of maintaining the golf course and other outside activities did not increase as much as dues in either group of clubs. Operating data for the clubs studied are presented in the following two groups:

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

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

The size and scope of this study are similar to those for the two preceding years.

On subsequent pages 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 1955 are also given.

More Income for Depreciation

Both the small and large country clubs showed increases in the amounts of dues available for depreciation in 1956, compared with 1955, but the increase in the small clubs was in proportion to the increase in total dues and assessment income. Thus, the average ratio of the dues available for depreciation in the small clubs was the same for both years. In the large

clubs, however, the dues available for depreciation in 1956 were more than double what they were in 1955 in both amount and average ratio to dues. Because of the increase in dues and assessment income, the large clubs showed reductions in the net cost of clubhouse operations, the net cost of golf and grounds and fixed charges. The smaller clubs also recorded decreases in the net golf and grounds expenses and fixed charges but a rise in the net clubhouse cost, due primarily to a decrease in the average ratio of the food and beverage departmental profit.

After depreciation and rehabilitation expenses, the small clubs again showed a deficiency in dues available for members' equity. The deficiency in 1956 was slightly more than in 1955. The improvements in the large clubs were sufficient to leave a small amount of dues available for members' equity in 1956; the same clubs showed a deficiency in the preceding year.

Depreciation and Rehabilitation

The average cost of depreciation for those clubs recording depreciation increased over 1955 in both groups of clubs: from 16.5% of dues to 16.8% in the small clubs and from 10.9% to 11.7% in the large clubs. Rehabilitation expenditures and/or reserves averaged 52.1% of dues in 1956 for the small clubs, compared with 25.3% in 1955, while in the large clubs rehabilitation equaled 16.1% of dues in 1956, against 28.4% in the preceding year.

Thus, of each dues dollar, the small clubs expended an average of 33.4¢ for depreciation and rehabilitation, and the large clubs, 16.4¢.

How Dues Dollar Is Used

Breaking down the dues dollar of the small clubs, we find that it was spent in the following ways: clubhouse operations,

Condensed from The Horwath Hotel Account.

32.7¢ in 1956, compared with 30.0¢ in 1955; golf and grounds, 34.6¢, compared with 36.7¢; other outside activities, 2.0¢, compared with 1.2¢; and fixed charges, 17.2¢, compared with 18.6¢. Thus, there remained an average 13.5¢ of dues available for depreciation in both years.

A similar breakdown of the dues dollar of the large clubs is as follows: clubhouse operations, 37.0¢ in 1956, compared with 42.2¢ in 1955; golf and grounds, 28.5¢, compared with 31.0¢; other outside activities, 2.6¢, compared with 2.3¢; and fixed charges, 15.6¢, compared with 16.4¢. This left an average of 16.3¢ of dues available for depreciation, compared with 8.1¢ for the preceding year.

Despite increases in amounts over 1955 in both groups of clubs, total club payroll in ratio to total income, including dues and assessments, remained the same for both years in the small clubs and showed a decrease in the large clubs. However, the increase in the amount of the food and beverage payroll in the small clubs was also reflected in the rise in the ratio of this departmental payroll to total food and beverage sales. This increase in payroll, together with a slight increase in the food cost per dollar sale, resulted in a decrease in the food and beverage departmental profit for the small clubs, both in ratio to total food and beverage sales and in ratio to dues. In the large clubs the increase in the amount of the food and beverage departmental payroll was more than offset by the increase in the combined sales. Thus, decreases in the food and beverage

costs per dollar sale as well as in the payroll ratio resulted in an increase in the departmental profit in ratio to combined sales and to dues.

Average food checks were reported by 16 of the clubs:

\$4.31	\$3.17	\$2.98	\$2.34
4.01	3.13	2.94	2.17
3.72	2.99	2.93	2.06
3.24	2.98	2.67	1.62

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

<i>Annual Dues per Regular Member</i>	<i>Entrance Fees per Regular Member</i>
Under \$100..... 2	Under \$200..... 5
\$110 1	\$200-\$400 6
\$175-\$200 3	\$500 3
\$210-\$290 5	\$900 1
\$300 5	\$1,400 1
\$325-\$350 2	\$2,000-\$3,000 2
Total 18	Total 18

LARGE CLUBS

Under \$300 2	\$400 and under.. 4
\$300-\$350 3	\$500 6
\$360-\$375 7	\$1,000 1
\$400 1	\$1,500 2
\$500 1	\$2,000 1
\$600 2	\$3,000-\$4,000 2
Total 16	Total 16

Dues, fees and assessments were increased during the year by several clubs.

GOLF COURSE AND GROUNDS EXPENSES

	COST PER HOLE			
	Small Clubs		Large Clubs	
	1956	1955	1956	1955
Green and grounds maintenance				
Payroll	\$1,445	\$1,380	\$1,811	\$1,777
Supplies and contracts	397	382	423	388
Repairs to equipment, course, buildings, fences, bridges, etc.	160	170	277	265
Water, electricity and other expenses	88	84	159	167
Total maintenance exclusive of fixed charges	2,090	2,016	2,670	2,597
Golf shop, caddie and tournament expenses	340	309	408	444
Total	2,430	2,325	3,078	3,041
Deduct greens fees	577	535	513	478
Net golf course and grounds expenses exclusive of fixed charges	\$1,853	\$1,790	\$2,565	\$2,563

Summary of Operations, 1956 and 1955 18 Small Country Clubs

	(Dues under \$150M)		Amounts 1956	Increase or Decrease from 1955		
	Ratios to Dues and Assessments			Amount	Percent	
	1956	1955				
Membership dues.....	89.1%	91.8%	\$ 1,502,242	\$ 92,047	6.5%	
Assessments	10.9	8.2	183,323	57,999	46.3	
Total	100.0	100.0	1,685,565	150,046	9.8	
Deduct net cost of operations						
Clubhouse (detail below).....	32.7	30.0	550,550	89,612	19.4	
Golf, grounds and outside activities	36.6	37.9	616,695	35,546	6.1	
Total	69.3	67.9	1,167,245	125,158	12.0	
Net before fixed charges.....	30.7	32.1	518,320	24,888	5.0	
Rent, taxes and insurance, and interest	17.2	18.6	290,312	4,351	1.5	
Dues* available for depreciation.....	13.5%	13.5%	\$ 228,008	\$ 20,537	9.9%	
Detail of clubhouse operation						
Food and beverage net departmental profit	33.0%	36.2%	\$ 555,735	\$ 617	.1%	
Rooms, locker rooms and other sources of income—net.....	8.6	9.0	145,729	6,638	4.8	
Total	41.6	45.2	701,464	7,255	1.0	
Undistributed operating expenses						
Clubrooms	14.6	16.0	246,059	r200	r.1	
Entertainment	3.6	3.7	60,087	2,896	5.1	
Administrative and general.....	34.1	34.9	575,442	39,481	7.4	
Heat, light and power.....	10.7	10.7	179,477	16,194	9.9	
Repairs and maintenance.....	11.3	9.9	190,949	38,496	25.3	
Total	74.3	75.2	1,252,014	96,867	8.4	
Net clubhouse cost—above.....	32.7%	30.0%	\$ 550,550	\$ 89,612	19.4%	
Restaurant sales						
Food			\$ 1,829,846	\$ 97,637	5.6%	
Beverages			1,183,818	15,452	1.3	
Total			\$3,013,664	\$ 113,089	3.9%	
Total sales and other income†.....			\$3,687,975	\$ 162,005	4.6%	
Payroll						
Restaurant			\$ 875,133	\$ 52,547	6.4%	
Total club.....			2,027,302	120,586	6.3	
M—thousands						
r—red figure						
			* Dues plus assessments in four clubs.			
			† Excluding income from dues and initiation and transfer fes.			

The annual dues per regular member were raised \$10 by three clubs and \$25, \$45, \$60 and \$75 by four clubs. Nine clubs increased their initiation or entrance fees: two by \$50, one by \$100, two by \$250, one by \$300, two by \$1,000 and one by \$1,750. The annual assessments per member were higher in two clubs, and two clubs which did not collect an assessment in 1955 did assess their members in 1956.

Cost of Golf and Grounds Up

Both groups of clubs recorded decreases

from 1955 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. But these reductions were merely effects of the increase in total dues and assessment income which exceeded the increases in golf and grounds expenses.

The cost per hole for the upkeep of the golf course and grounds averaged \$2,090 for the small clubs and \$2,670 for the large clubs, rises of 4% and 3%, respectively.

Summary of Operations, 1956 and 1955 14 Large Country Clubs

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

	Ratios to Dues and Assessments		Amounts 1956	Increase or Decrease from 1955	
	1956	1955		Amount	Percent
Membership dues.....	94.9%	96.6%	\$2,581,795	\$ 180,448	7.5%
Assessments.....	5.1	3.4	137,576	51,921	60.6
Total.....	100.0	100.0	2,719,371	232,369	9.3
Deduct net cost of operations					
Clubhouse (detail below).....	37.0	42.2	1,007,053	r42,538	r4.1
Golf, grounds and outside activities.....	31.1	33.3	846,283	16,874	2.0
Total.....	68.1	75.5	1,853,336	r25,664	r1.4
Net before fixed charges.....	31.9	24.5	866,035	258,033	42.4
Rent, taxes and insurance, and interest.....	15.6	16.4	423,315	16,640	4.1
Dues* available for depreciation.....	16.3%	8.1%	\$ 442,720	\$ 241,393	119.9%
Detail of clubhouse operation					
Food and beverage net departmental profit.....	19.8%	18.2%	\$ 539,275	\$ 86,215	19.0%
Rooms, locker rooms and other sources of income—net.....	6.2	5.2	166,622	37,995	29.3
Total.....	26.0	23.4	705,897	124,210	21.4
Undistributed operating expenses					
Clubrooms.....	14.5	15.2	393,280	14,077	3.7
Entertainment.....	2.8	2.8	75,855	6,229	8.9
Administrative and general.....	30.0	31.6	816,442	31,096	4.0
Heat, light and power.....	7.5	8.0	204,978	7,094	3.6
Repairs and maintenance.....	8.2	8.0	222,395	23,176	11.6
Total.....	63.0	65.6	1,712,950	81,672	5.0
Net clubhouse cost—above.....	37.0%	42.2%	\$1,007,053	\$ r42,538	r4.1%
Restaurant sales					
Food.....			\$2,324,522	\$ 172,612	8.0%
Beverages.....			1,335,947	81,792	6.5
Total.....			\$3,660,469	\$ 254,404	7.5%
Total sales and other income†.....			\$4,548,256	\$ 372,008	8.9%
Payroll					
Restaurant.....			\$1,174,306	\$ 59,226	5.3%
Total club.....			2,847,169	114,323	4.2

M—thousands
r—red figure

* Dues plus assessments in three clubs.

† Excluding income from dues and initiation and transfer fees.

The green and grounds maintenance payroll, which constitutes approximately two-thirds of the gross maintenance costs, rose 5% in the small clubs and 2% in the large clubs. We wish to point out, however, that this cost does not include any fixed asset costs (improvements, additions, replacements or depreciation), nor any fixed charges, such as real estate taxes, property insurance and interest on borrowed capital. The net cost of golf and grounds, after the addition of golf shop, caddie and tournament expenses and the deduction of green

fees and other golf income, was \$1,853 in small clubs, compared with \$1,790 in 1955, and \$2,565 in the large clubs, compared with \$2,563 in the preceding year.

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.