



Make your accountant

We are all aware of the need to maintain adequate accounting records for preparation of tax returns. In fact, the required maintenance of these records has been legislated by almost every governmental body to whom a company must pay taxes. Therefore, no matter how much drudgery it seems, we must keep the records.

Since there can be little, if any, argument that the records must be maintained, why not make them as useful as possible?

Accounting records useful?

They certainly can be! If they are properly designed and maintained, they can provide golf course financial managers with relevant material for decision-making.

The days of "hip pocket" operations are rapidly drawing to a close. Most successful businesses now require sophisticated financial accounting systems to remind them of where they've been financially and, after careful reflection on current economic conditions and trends, where they can reasonably expect to go. "That's fine for the corporate giants," you say, "but it really wouldn't be applicable to my small operation." That's simply not true.

There should be no reason why a golf club can't have a scaled-down version of an effective financial reporting system, to provide as much financial efficiency as possible. An efficiently operating accounting and reporting system can make you aware of opportunities to invest idle cash in interest-bearing accounts. It can provide additional assurance that legitimate tax deductions are not being overlooked. An efficient financial reporting system can make you aware of

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Don't play Scrooge with your club's money

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noncompliance with governmental regulations which may affect a club's future.

For instance, if you are a tax-exempt club, you are probably aware that under Internal Revenue Service Regulations your club's nonmember gross receipts now cannot exceed a general standard of 15 percent of total receipts for the year or it may jeopardize its tax exempt status. Although this new legislation may provide private clubs with some relief, the requirement to maintain records of those receipts has not changed. Does your accounting system show you the amount of nonmember gross receipts you've received for the year to date? If it doesn't, change it.

Budgeting and cash forecasting is also a part of financial reporting and recordkeeping. Typically, club budgets and forecasts, when they're prepared, are put together haphazardly and placed on a shelf until the end of the year. Then at year end, they're taken out, dusted off, and compared to the actual results of the club in an effort to "see how close we came." If this is the attitude with which budgeting and forecasting is approached, it might as well not be done.

Why budget?

The purpose of budgeting is to control expenditures. The budget is the yardstick by which you measure your success in controlling the club's expenditures or identify problem areas that need attention and corrective action. Accordingly, budgets should be made annually but broken down into monthly segments. To serve their purpose, budgets must be used.

Cash flow forecasting is another form of budgeting. By forecasting a club's receipts, you will know where the funds should come from to meet the club's obligations. Even more importantly, you will be able to identify periods in which the club will have surplus cash for investment pur-

poses. Consult the club's banker or investment counsellor for ways to maximize interest income on the club's surplus cash.

Cash flow forecasting can also aid in identifying slow turnover in the club's accounts receivable. When the receivables are allowed to build up excessively, the members are using the club's funds to finance their purchases without paying interest. It just doesn't seem fair to allow a few members to tie up the club's resources at the expense of the majority of the membership. The club might consider a service charge for all accounts receivable not paid within a month. The funds generated from this service charge will replace interest lost in the club's investment activities and might also offset some of the administrative costs of repeated collection attempts for slow-paying members.

The club's accounting records should provide operating information by department. For instance, if a club has a restaurant, its reporting system should be able to generate financial information relating to the restaurant only. This can be particularly important when a club's restaurant

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facilities are operating at a loss. If the condition causing the operation to be less than desirable can be identified, then appropriate corrective action can be taken. This action may take the form of increasing prices on the menu or a requirement that members must use or be assessed a minimum monthly charge for the restaurant facilities. Particularly with respect to setting a budget for restaurant facilities, it may be desirable to use a general standard of comparison, say Robert Morris and Associates statistics, to measure the performance of the club's restaurant.

If your accounting system can't provide you with all the above information, it's time to change it. There is no single system which can be universally used by all clubs, or any business for that matter. Each accounting and financial reporting system must be tailored to meet the individual needs of the users.

Things you should do

Call your accountant and discuss modernizing your accounting records and reporting formats with him. Have your accountant develop a system for you which minimizes wasted motion in recordkeeping and provides your club with the necessary tools for streamlined financial management. Ask him to assist you in developing monthly and annual operating budgets, including cash flow projections. Encourage your accountant to attend financial committee meetings to assist in the analysis of variations in the budget and explore with him the most practical solutions for solving the club's financial problems.

Consult your accountant regarding the club's capital needs and alternatives for providing necessary funds. Ask that he review the club's credit policies, employee compensation plans and pricing of the club's services. In addition to having your accountant prepare your income tax returns, ask him about tax planning services and consult him regarding any transaction which may have significant tax consequences — before you finalize the transaction.

With respect to tax planning, I have been surprised at the number of owner-operators and clubs which are unaware of the refund available to

them of Federal gasoline taxes (and possibly in some states, refund of State gasoline taxes) when gasoline and motor oils are used off the highway. The application for refund of these taxes is really quite a simple procedure.

Your accountant should be an integral part of the club's financial management team. If you ask him to provide all these services, expect him to spend quite a bit of time in the initial set-up and employee-training phase of system installation. After this initial phase, his major role will be that of a consultant on an “as needed” basis.

The successful operation of golf club facilities depends to a great degree upon attention to details. There simply isn't a single change which can result in a windfall to a club's operation. Accordingly, efficient financial management will not cure all the club's problems. However, this improved efficiency will assist the club in identifying its problems on a more timely basis and provide the club's financial committee with additional time to select the best course of action from alternative solutions which are available.

An efficient accounting and reporting system can't reduce spiraling fertilizer costs. But it can aid in identifying periods in a club's financial cycle where bulk purchases, at reduced prices, might be made to the club's advantage. An efficient accounting and reporting system can't lower rising labor costs. It can, however, aid in identifying situations where the club may not be meeting the industry's most efficient operating norms and, therefore, enable the club to take corrective action.

Golf business

The operation of a golf club is, after all, a business. As a business, it requires sound financial administration to enable it to be as successful as its potential will permit. You can provide your club with this additional opportunity for success by adopting proven financial techniques. By so doing, you will enhance the desirability of membership in your club by providing the members with the services and facilities they require — at their lowest possible cost. □