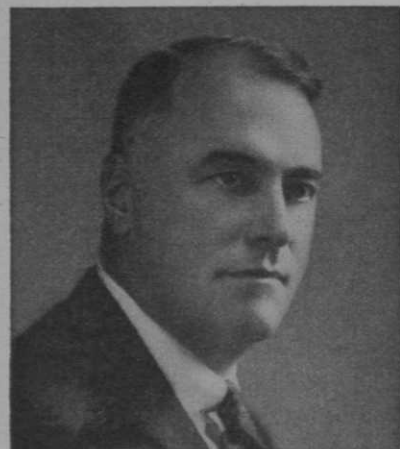


Club Finance Fundamentals



CAN'T Be Dodged!

says

WILLIAM HETZEL

Manager, Bonnie Briar C. C.
Larchmont, N. Y.

—who discusses here some of the principles of sound business which **MUST** be heeded if a club is to operate profitably.

THE large amount of money invested in the ownership and operation of an active golf club places a real business responsibility on the manager. The club should be run on the basis of sound business principles, the income and expense carefully budgeted and controlled, and the income derived in such a manner as to make the burden on the members as light as possible as well as to distribute this burden in an equitable manner.

The primary functions of the usual golf club may be considered to be golf, entertainment and the sale of food, beverages and cigars (including cigarettes, tobacco, etc.). In many cases tennis courts are provided. These, however, are usually considered of minor importance and may be considered for the purpose of this comment as included under the same classification as golf.

The basic golf club function, is, of course, golf. This function involves the golf course, the locker-rooms and the club quarters for restaurant and social activities, as well as the personnel consisting of managers, professionals, caddies, green-keepers, locker-room attendants and the necessary supervision, control and maintenance. Considering this basic equipment and personnel as directly attributable to the primary object of the club, it would seem equitable that the sum of annual dues, green-fees and locker rentals should be so arranged as to cover the operation

and maintenance of these facilities. The simplest method would be to take this total cost and pro-rate it equally among the members. The most equitable method would be to fix an arbitrary minimum charge to all members and to spread the excess of cost of the total amount so charged on the basis of the number of rounds of golf played during the year. Some variation between these two methods is always used, certain distinctions being made as between different classes of members, restrictions of guest privileges, etc. Initiation fees for regular memberships should be used as a fund for improvements or contingencies rather than for current operating expenses.

Depreciation of all equipment should be considered as a part of the expense properly chargeable to members each year; otherwise, at some time in the future, there will be an extreme burden for the replacement of equipment worn out by members who may have resigned in the meantime. The best policy would undoubtedly be to create a sinking fund for



Particularly at clubs with pretentious clubhouses such as Bonnie Briar's attractive structure, is close supervision essential.

replacement of fixed assets out of the provision for depreciation.

Placing Secondary Function Expense

The direct cost of the secondary functions of the club should logically be borne by those members deriving the direct benefits therefrom. The direct cost of special entertainment should be borne by those attending, inasmuch as such functions can hardly be considered the primary object of the club and are not participated in by all members. This direct cost should consist of the cost of music, entertainment, refreshments and the amount of overhead in the form of extra staff and equipment directly attributable thereto, but exclusive of the basic equipment, personnel and club rooms.

The sale of food, beverages and cigars, also secondary functions, should yield a sufficient gross profit to cover all direct expenses attributable thereto, inclusive of such extra administration and personnel as may be considered as necessitated by these operations, but exclusive of any rent space or basic personnel. The most difficult problem is always presented by the restaurant operations. The food, service and environment must be sufficiently attractive and the prices sufficiently moderate to draw the necessary volume of business so that, at a fair percentage of gross profit, the fixed overhead of the restaurant and kitchen may be absorbed. The sales

prices and the cost of food purchased must be very carefully watched so that the necessary ratios are attained. In general, if a fair allowance for employees' meals is made, the gross profit on food will represent about one-half of the sales price. This amount will be available for the general restaurant fixed charges.

It would appear that these general fundamental principles are adaptable to any type of club and that they are frequently overlooked in whole or in part by the club officers and committees. This oversight may be due in part to lack of familiarity with the business side of club operation and in part to the intentional desire to render to the club members the best report possible at the end of the year or of the term of office.

Along the lines of the very constructive program carried on by certain club magazines for a recognition of the principles of business organization as applicable to the club, it would seem highly desirable to make an effort to standardize the principles of club operation in general and, as a means of making available intelligent comparisons between clubs, standardize the accounting records and reports.

In submitting these thoughts I wish to acknowledge the helpful suggestions rendered by the outside auditor for our club, J. Andrew Crafts, New York C. P. A., with whom I have discussed the matter at length.