

# Accounting Blindness Serious Threat to Private Clubs

By HERB GRAFFIS

**A** WIDELY known official of one of the most famous of American golf clubs writes GOLFDOM commenting on our series calling for clarity, completeness and uniformity in golf club accounting.

He attributes the present financial distress of many clubs almost entirely to blind and misleading accounting. Four years ago, he maintains, there were warning signals that could have been heeded and danger avoided had the officials and members been able to see the true story of the finances. At that time, he further sets forth, there were club operations on the right basis which would have served as valuable models had other clubs been able to compare figures on a uniform basis.

"What is more ridiculous, or a sadder comment on the employment of successful business men in golf club affairs, than the credit of some of the clubs with course equipment concerns? If I recall the general averages correctly, about 20% of the 18-hole clubs' income is spent on course maintenance. Of that amount not more than 10% is spent for equipment—or 2% of the entire annual income. Still, as a green-chairman who has formed a great many contacts with manufacturers and dealers during almost 30 years in golf, I hear that some clubs are letting their maintenance slide because of their belief that they are unable to finance equipment purchases. Shouldn't the purpose of a practical accounting method be to look ahead to such necessities as well as to show the real picture of what has been done?"

## Figures Lie.

A bland confidence in accounting methods that are a million miles from showing how operations stand can be put down as the most general defect in American golf club business methods. The prevailing financial stringency snatched the more or less innocent addicts of this system from fools' paradise and plunged them plenty deep into the blistering pits of the pay-off hell.

Now, why should there be further hesitation in this matter of arriving at some sound and uniform method of club accounting? The USGA is interested in seeing a practical, uniform accounting system adopted but has its hands full with prior commitments, chief and most important of which is the Green section, and is confronted with the usual current problem of budget anemia. Prospects indicate that the governing body may find a prominent place for club accounting in its future activities but right now action seems to be a matter for the various district golf associations.

Clubs are beginning to think about what they get for their dues in the district associations and district associations are thinking about what greater value they can give their member clubs. What is there of greater service than to help the clubs actually learn whether they are going to be broke or going concerns on their present plan of operations and on their present set-ups?

GOLFDOM's investigators have visited many clubs during the past two months where proud boasts were made that the club made money last year and is going to make it again this year. Closer examination of the conditions revealed that some of these clubs actually were insolvent and had no sinking fund provisions or any hope other than eventual ability to collect heavy assessments. Any district or national body that promotes uniform accounting to protect such clubs against their own lack of foresight most certainly is serving the game.

## N. Y. Stock Exchange Leads

One of GOLFDOM's wise and successful friends in discussing our campaign for accounting reform among golf clubs called to our attention an article in *Forbes Magazine*, April 1. Henry W. Sweeney, C. P. A., writes on "Making Reports to Stockholders Tell the Truth."

Mr. Sweeney refers to the January 12 statement of the New York Stock Ex-

change, sent to chief executives of its listed companies, in which the exchange's attitude toward certain features of annual reports was shown.

The purpose of the letter, which virtually was an order, was to "induce greater uniform comprehensiveness, clearness and general candor in corporate reports."

It is evident that the practice of neglecting the whole truth in financial reports is not wholly a sin of omission or commission confined to the country clubs. Deliberate or unwitting deception of the stockholders seems to have its main origin in lack of thoroughness. In the initial article of this series reference was made to the examination of approximately 100 annual financial statements of golf clubs and the discovery that only in four or five instances could the statements be considered comprehensive enough to be of any positive value. Certainly they were audited, but what the auditors must have thought about the figures that were missing or misplaced is not given in the annual statements.

A few more months and the fiscal years of many golf clubs will be ending. By that time will they have available some system that will enable them to compare the results of their operations with those of clubs ostensibly in similar circumstances? Unless there is some progress made in this direction this year, it will have to be confessed that the leaders in golf club officialdom have been remiss in supplying the most obvious need of clubs that desire and require sound business operation.

The golf field is in good shape—everything considered. True, memberships in metropolitan district clubs that were \$1,500 in 1929 now may be had for \$250, but Baldwin Locomotive that was 67 in '29 now is around 4; American Rolling Mill that was 144 in '29 now is about 7, so compared with the stock market, the golf club slump has been mild. Then, too, only about six out of every 100 possible men and women players have taken up the game to any extent, and almost half of them are pay-as-you-play golfers. There is plenty of room for growth that will solve all membership problems of the private clubs, but only if the cost of the game is brought to a reasonable figure and kept there. The only way to handle a cost problem is to start by learning what the costs are, and with the present accounting methods at most American golf clubs, accurate costs are an unknown quantity. Of course, this doesn't apply to your club but just take

your annual statement and see if you can figure out for its data where your club really stands and what improvements can be effected without lowering the standard of the club.

If you can get the necessary facts from your statement you're unusually fortunate, but even then you won't be able to compare them with the data on some other club that might be able to show you something if both of you were able to go at the matter on the same plane.

## Golfers' Special Edition Runs 50-50 on Ads

**C**HICAGO *Herald and Examiner*, May 27 issue, ran a 6-page "Golfers' Special" section. About half of the space was devoted to the advertising of 34 local advertisers, among whom were many of the local fee courses and a group of 16 driving ranges advertised under the listing of "Golf Practice Owners Assn. of Ill."

*Herald and Examiner* is Hearst morning paper with Warren Brown, sport writing star as sports editor and Fred Proctor who digs up more golf news than any other Chicago writer, handling golf. Advertising volume should be tip-off to wisdom of featuring golf news but most newspapers don't seem to get wise despite scantiness of direct financial return from fights, baseball, football and other sports.

This paper, which runs distant second to the Chicago *Tribune* for morning circulation and advertising, gets a sample of what can be done in stirring up some copy by turning loose its troupe on stuff that causes no feverish rise in reader temperature but continues to miss Chicago district's greatest chance for adding circulation that makes potential advertisers click by not printing scores of women's golf days. Women's golf at Chicago district private clubs should be good for at least 5,000 circulation. At present women's golf news could be covered by a fly-speck in Chicago sport pages with the exception of women's daily fee tournament being promoted by Hearst's *Evening American*.

## AD QUOTED WRONG PRICE

In June GOLFDOM price of Model TR sprinkler in Perfection Sprinkler Co.'s advertisement was incorrectly given as \$7.50. Manufacturers point out that the correct price on Model TR is \$10.00.