

## FUND FOR THE FUTURE

By KARL  
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*"Any club that disregards its sinking fund and depreciation obligations is committing slow suicide."—W. F. Wiley, president, Cincinnati CC.*

**T**HERE are too few veteran officials of clubs, which is a condition not to be wondered at, considering that the conscientious official's duties are arduous and that there is no money and seldom even deserved recognition and gratitude for services rendered. But it is exactly that lack of long experience that has handicapped club operation as a steady, substantial business.

Now that the most serious and prolonged depression of modern country club history is waning and there are signs that country clubs are entering on a period of greater and broader usefulness than any ever presented before, it is high time that the outstanding lesson of the depression be plainly recorded for the benefit of club officials who were lucky enough to escape the worries of guiding clubs through that miserable and lengthy storm.

The big, vital point in proper operating policies for a club that was made emphatic by depression experience was the matter of adequate, faithfully maintained reserve accounts. Clubs that regarded sinking funds and depreciation accounts as sane and sacred enjoyed a security that presents them now in even better shape than at the start of the depression. Other clubs, whose inexperienced officials shunted the pay-days on bond issues and replacements to some administration that would follow to harvest the crop of misery, have suffering still ahead of them. Fortunately, generally improved conditions prob-

ably will set them in the clear eventually, but their salvation certainly is no fault of negligent, overly-hopeful previous administrations that borrowed from Peter to pay Paul and found that Paul was a hard-boiled collector.

### Budget System Was Life-Saver for Clubs

Going over early issues of GOLFDOM we take pride in the manner in which GOLFDOM so persistently and strenuously campaigned for the budget system of operation that it became almost general among clubs making even the motions of business operation. Budgeting did do a lot to put a check on the inexperienced enthusiasms of untrained officials and, by sharply reducing the practice of annual assessments, helped many clubs get in condition to weather the depression tempest.

But the shortcoming of most budgets is that they are operating budgets — they miss caring for the capital aspects of budgeting, the items of interest, amortization and depreciation. When interest payments come due, when bonds must be retired, when equipment must be replaced and a club lets its trade account payments slide to take care of the first mentioned

three urgent items, that club begins to pay for its bad policy by having to pay higher prices or accept lower quality on whatever trade purchases it makes on a cash basis in the future. Because exchange of credit information on clubs is a rather tedious matter, some clubs have been able

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to avoid, for a time, the penalties of bum credit, so that astute, hard-working managers and greenkeepers have been able to make proper purchases from sources that don't know the whole story.

However, exchange of credit information is getting on an organized basis slowly but certainly in the golf business, and the faults of an administration that is deficient in its financial operations in the not distant future will plague the guilty administration instead of its successors.

#### Reserve Funds a Boon to Foresighted Golf Clubs

It begins to appear that there will be a drastic curtailment of the usual convenient policy of borrowing from the sinking fund accounts, and that there will be a decided extension of the practice of setting up clubhouse and course equipment depreciation funds in the execution platforms of next year's officials.

The reform is over-due. There have been too many demonstrations of the wisdom of maintaining adequate reserves to admit of any argument against the policy, even in the cases of clubs that are operating on the narrowest of margins. W. F. Wiley, president of the exclusive Cincinnati (O.) CC, and a country club official of long experience, comments:

"Any country club that disregards its sinking fund and depreciation obligations is committing slow suicide. A club is necessarily a business and unless it is conducted by approved business methods, based upon experience, it is predestined to failure."

In Cleveland, where the depression struck early with a sickening thud, the officials of the famed Mayfield CC have been pondering on the fixed charge problem with the earnestness and ability that brought Mayfield nicely through the panic. Says Carl C. Gibbs, Mayfield's president:

"Failure to make provision for reducing funded debts by establishing sinking funds and setting up reserves for depreciation during prosperous times is largely responsible for the embarrassing financial situations that golf clubs experienced during the depression and, for that matter, are now experiencing.

"I am quite sure that many clubs during the past four or five years could have gotten along very well on their income, notwithstanding the fact that generally speaking there was a marked reduction in the number of members, if they had not been burdened with interest charges on bonds, bank loans, etc.

"While we have not evolved any definite plan as yet, there has been considerable discussion at our board meetings relative to setting aside each year a certain percent, if not all, of the initiation fees from new members for the purpose of reducing our bonded indebtedness. We have met all of our payrolls and current bills promptly, and have only had occasion to make two or three small assessments. We have had, however, to refund some bonds that were issued several years ago, for which some provision will have to be made. In the meantime, of course, interest will have to be paid, and this requires careful management to keep our expenditures within our income."

#### Constitution Assures Sinking Fund Maintenance

Leaving nothing to chance, foresighted officials of the Country Club of Buffalo, noted veteran club, made constitutional provision for a sinking fund. This long-

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"The success of sinking funds rests entirely in their being available for the purposes for which they were created, and the only way to assure this is to make it utterly impossible for them to be touched by anyone for any other purpose."—S. W. Izard, chmn. Finance Committee, Blue Hills CC, Kansas City.

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view financial policy is worth considering as an amendment to the constitution of many clubs.

Reports Theodore Wright, president of the club:

"It has been the policy of the Country Club of Buffalo, in fact one of the articles in its constitution makes it mandatory, to apply all membership admission fees to a sinking fund for reduction of the mort-

gage on the club property. Several years ago we established a depreciation fund, setting aside a certain amount every month to this fund. This depreciation fund

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**"Golf club financial worries will continue so long as the principles upon which successful businesses are operated are not applied."**—Anonymous.

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has been of considerable assistance at various times during this past depression, enabling us to borrow from it to tide us over in certain emergencies.

"In my opinion it is highly important for any club to have such funds in special accounts which can be added to in times of prosperity and be available for actually caring for such depreciation as occurs or for such purposes as we have found ours useful for. Of course, funds borrowed from the depreciation fund have been paid back to it after the emergency has passed."

#### **They Fool Themselves with Enthusiasm, Says Authority**

Sage and painfully true comment on the golf club failure to protect against the excess of unenlightened enthusiasm to which new officials often succumb is made by one of the foremost, successful club management authorities in the United States. With a blunt directness that has been a factor in making his own club's operations one of the bright marvels of the depression, this practical expert warns against a condition that may return to the golf field if real estate continues to boom. For diplomatic reasons the commentator shall not be identified here. He remarks:

"The financial misery of many golf clubs was due to the fact that the real estate value rose from five to eight times book value in the years 1925 to 1929. This increased club borrowing capacity and funds were obtainable for every wildcat idea submitted to the Board of Governors.

"The blown-up real estate value merely added to the tax burden and didn't put a nickel in the club's treasury; therefore the capacity to make amortization payments and pay interest was actually less than before the rise.

"Most clubs had made provision, so far as legal documents are concerned, for sinking funds and the accountants insisted on including reserves for depreciation, but rarely indeed was the money set aside.

"Golf clubs financial worries will continue so long as the principles upon which successful businesses are operated are not

applied. There is no individual responsibility for errors and foolish expenditure of money. The majority of the members go to the club to put away the cares of business and few will take the trouble to argue against the adoption of a project however ridiculous it may be.

"The idea of a club with a very small membership so that there never will be congestion on the courses is typical of the foolish ideas adopted without any thought whatever. In 1927 and 1928 some people would have reduced our membership from 650 to about 500 but happily we began the depression with 650 and sank to 430 and still kept out of the red. Had we started with 500 we would have had at least four years of serious loss and we would now be carrying a big debt. A 36-hole club with a membership drawn from a wide area rarely needs to accommodate more than 250 of its members on any one day.

"To put such a plan as that into effect would have entailed the purchase of 150 certificates and the loss of \$35,000 a year in revenue—all to save someone perhaps 10 minutes on the courses upon four or

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**"For the past six years we have followed the policy of placing initiation fees in a savings account. This money is used for additions to the club's property."**—Thomas A. Dines, president, Denver CC.

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five days a year at most. The time saved probably would have been spent harmonizing in the showers.

"Not so far away a golf club sprang up in the boom times and there the exclusive idea prevailed. Of course the depression was not foreseen—good times were here forever. The fathers of that child would like to have some one adopt it. It would be interesting to know what some of them have paid per round of golf."

#### **"Now Is the Time"**

##### **When Sinking Funds Are Planned**

At Alderwood CC, Portland, Ore., where the 1937 National Amateur will be played, the officials have keen appreciation of a sinking fund. The circumstances are set forth by Arthur H. Craig, general manager of the club, who says:

"Our club was organized during the boom days, and every available cent was put into new construction and betterments. The depression hit us and we had no reserve and were forced to make our expenditures commensurate with revenues.

"However, we have at all times treated depreciation as an expense and have set up such reserves. We have set our dues at a figure which covers this item plus a few thousand dollars each year which would ordinarily be put into a sinking fund but which we are using to retire indebtedness.

"The question of a sinking fund has been discussed many times by our board of directors and it is probable that our club will commence within two years to set aside a sinking fund to tide us over times such as we have just gone through."

#### Separate Account for Reserves at Minneapolis

At the Country Club of Minneapolis, Manager A. C. Statt advises that depreciation charges are carried in a separate bank account and that one-twelfth of the yearly charges are deposited in this account each month. The depreciation charges are included in the operating costs of the excellently managed Minneapolis establishment.

Annual depreciation charges at the Country Club of Minneapolis are made on the following basis:

Clubhouse .....	4 %
Clubhouse equipment .....	7½ %
Course equipment .....	10 %

Statt makes it plain that the annual depreciation rates charged at Minneapolis are not to be considered as applicable to every case and that careful investigation of construction, use and the obsolescence factor of clubhouse and course equipment undoubtedly would justify higher annual depreciation charges at many clubs. How-

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"Many clubs during the past four or five years could have gotten along very well on their income if they had not been burdened with interest charges."—Carl C. Gibbs, president, Mayfield CC, Cleveland.

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ever, the operating savings effected by improved equipment would go a long way toward closing the difference between the depreciation fund item and the cost of the modernized equipment.

Monthly payments to depreciation and other reserve accounts also are made at the Denver (Colo.) CC. Of the practice at this fine club its president, Thomas A. Dines, advises:

"For the past six years the Denver CC has followed the policy of placing the initiation fees in a savings account. This

money is used for certain additions to the club's fixed property, such as a swimming pool which was built last year. With the exception of the last three years, we have been able to keep this account intact for such purposes, but we have had to draw some on this the last few years to cover departmental deficits.

"Of course, our theory is that the dues and ordinary income should take care of the club's operating expenses. Our initiation fee is \$300 and dues are \$160 a year plus Federal taxes. Dues are payable monthly.

"Dues are carried as regular income and are used for the operating expenses of the club. We accrue a deposit in a separate account monthly to cover one-twelfth of the year's taxes and interest payable. In addition, we started something over a year ago—a depreciation account—and have deposited a fixed sum of cash monthly to this account."

#### Fat Years vs. Lean Years

From the experience of the Fenway CC (New York metropolitan district) comes the old, old lesson of the seven lean years and the seven fat years which we all seem to forget so easily. Says E. A. Brown, Fenway's secretary:

"This golf club, which is a continuation of the former Fenimore CC, has made it a practice during the past ten years to do away with the setting up of a reserve for depreciation for its building, machinery, fixtures, etc. During this period, a great quantity of machinery and fixtures has been purchased, which was all charged off annually as expenses of the departments to which they were applicable. Similarly, all betterments and improvements have been handled in the same manner.

"Upon an examination of these costs, as compared to the rates charged off on the books by other clubs, we find that the expenses of these items would about equal to the amount of the reserve which would have been set up during the same period.

"It is the writer's opinion, however, that a more conservative method of handling this matter would be to set aside a sinking fund annually from the earnings which would be available in case of emergency, especially in the years when the earnings of the club would be very lean. This practice during the past years, however, was quite difficult, due to the existing depression, whereby there was a great deal of difficulty to produce sufficient earnings to



Helen Shane and Frank Walsh, for second consecutive year won the Pro-Junior Girls annual competition sponsored by Illinois PGA. Event was played at Waveland course, Lincoln Park, Chicago, August 9, before a large gallery. During the competition, which was on a selective drive, alternate shot basis, with the girls' handicaps allowed, the pros answered gallery questions, explained shots and pointed out some of the golf rules.

Front row, l to r: Matt Matteson, Ridge; Bob Stuppel, Skokie; Joe Paletti, Edgebrook; Tom Walsh, Westgate Valley; Don Gardner, Flossmoor; Tom Kelly, Sunset Valley; Elmer Biggs, Country Club of Peoria; Ren Smith, Oak Park; Jim Wilson, Park Ridge.

Rear, l to r: Eddie Garre, La Grange; Frank Walsh, Bryn Mawr; Esther Smith, Ridge; L. L. Dien, Waveland; Helen Shane, Bryn Mawr; Mary Wilder, Skokie; Nance Rosenthal, Sunset Valley; Josephine Soucek, Big Oaks; Mercedes Robinson, Flossmoor; Betty Mackener, Country Club of Peoria; Virginia Nellis, Park Rdge; Florence Strunk, Waveland; Howard Davis, Ridge-moor.

even carry on the ordinary operating costs."

From S. W. Izard, chairman of the finance committee of the Blue Hills CC (Kansas City district) comes a case history and advice on sinking fund protection that is essential.

Relates Mr. Izard:

"It seems that private clubs are again filling their rosters and I hope that lack of definite financial policies which has been true of many clubs, will not be permitted to continue, although this is quite apt to be the case.

#### Make Sinking Funds Inviolable for Their Purpose

"My contact with such funds is limited to that of Meadow Lake CC. We leased the ground, the lease expiring in 1942. In 1927 the members approved a plan for a property acquisition fund of \$1.50 per month per member. This was paid quarterly and was kept strictly separate from dues, even deposited in a separate bank account. Three trustees were elected by the members to supervise the investment of the funds as they accumulated, investments being made entirely in municipal bonds.

"The purpose of the fund was to create a sufficient amount of money to finance

the purchase and equipment of a golf club on expiration of the lease. It was thought that the ground then occupied by the club might be thus purchased. As it turned out, however, the owner of the ground died and bequeathed the land to a college.

"The money thus accumulated enabled us to perfect a merger with Blue Hills club which owns its ground, and was sufficient at the time of the merger to reduce substantially the amount of mortgage against the property, and in addition, provided a fund for making some improvements which had been delayed.

"I am strongly in favor of our club re-establishing this fund of \$1.50 per month per member for the purpose of retiring the remaining balance of the mortgage and to provide money for the purchase from time to time of such equipment as becomes obsolete or wears out and for purposes other than the running expenses which are provided for by dues. I believe our members would strongly object to an increase in dues. On the contrary I believe they could be sold on the idea of establishing a sinking and depreciation fund under some plan similar to that which we used at Meadow Lake CC.

"Such funds always should be kept

strictly separate from dues and administered by an officer or a finance committee, or if advisable, by special trustees, so that there never will be any possibility of such money being used for the ordinary club expenses.

"I do not know of a golf club where some set of officers will not some day find it necessary to use such funds for operating expenses if they are available and can be reached. The success of sinking funds, however, rests entirely in their being available for the purposes for which they are created, and the only way to assure this is to make it utterly impossible for them to be touched by anyone for any other purpose.

### Carnoustie's Own 300 Influence Fourth of U. S. Pros

By CHARLES CLARKSON  
Pro-Greenkeeper, Quincy (Ill.) CC

**I**N CONSIDERING influences responsible for the way golf has grown in this country, one all too seldom sees or hears references made to Carnoustie, Scotland; but as the American situation is viewed it becomes plain that Carnoustie rather than St. Andrews has been the foremost foreign factor in making golf great in the land that has welcomed so many Caledonians.

The other night I sat thinking of the Carnoustie men who have made this their adopted land and without any difficulty could recall the names of almost 200 of the pro fraternity in the United States who hailed from the wee burgh in Forfarshire. I believe that a full count of the Carnoustie lads who are serving, or who have served, as pros in the United States would exceed 300. That is almost one out of 16 of the average resident population of the town.

This small army of 300 represents an imposing portion of the pros in the United States and when you count in, as having come under the Carnoustie influence, the American pros who came into pro golf through apprenticeship to Carnoustie-born master pros, I would not be surprised if the extent of Carnoustie's influence directly touched almost a quarter of the first class pros in this country.

Alex and Willie Smith, Fred Bell and George Low were the advance guard of the Carnoustie clansmen and arrived here about 1900.

Going hastily over the roster I recall the following Carnoustie families and the

number of lads they furnished to American pro golf:

Smith, 4; Maiden, 3; MacKay, 2; Brand, 2; Clarkson, 4; Black, 2; Bell, 3; Hackney, 4; Gallett, 4; Low, 4; Patterson, 2; Fotheringham, 3; Robertson, 5; Campbell, 4; Tosh, 2; Martin, 4; Simpson, 5; Stewart, 2; and White, 2. I realize that in this list, written down offhand, I have omitted many who are close friends of mine and whose names will occur to me the minute I drop this into the postbox.

Thinking of these lads brings memories of the days in the eighties when Alex Smith, a bunch more, and I used to play around the sinkies, which were merely holes the caddies dug out and played to while they were waiting for work. Rich men came to Carnoustie from Dundee and provided a good part of the outside golf income although the town always had a large summer population and play from the officers at Barrey camp who would start at the far end of the course, which ran nine out and nine in.

Matches between the Carnoustie men and those of St. Andrews, Montrose, Prestwick, Troon, North Berwick and Monifieth were great affairs in the old days, although when the exodus of Carnoustie lads to the States was on, our good players were mostly west of the Atlantic and couldn't help the home side.

True that St. Andrews is mecca of the amateurs, but certainly Carnoustie is the Plymouth of the pros, and as such deserves an important place in American golf history

**Caddies Protest**—Thirty-five caddies at the New Haven (Conn.) munny golf course struck and picketed the course recently as a protest against the dismissal of Jack MacDowall as pro. MacDowall was reported ousted by Park Supt. Wirth for selling golf balls at his home in violation of a ruling he was to sell golf equipment only at the course.

New Haven newspapers played up the case with pictures of kids with the crudely lettered signs they carried.

**Don Parker Dies**—Don Parker, an organizer of the New York State GA, for many years its president, and one of the earliest golf club and association officials to see the wisdom of scientific research in turf, died recently.

Death of the genial and widely-known "Uncle Don" took from golf one of its most beloved, prominent figures.

In 1925 he provided financial support for work in this field done by the agricultural school of Cornell U.