

Club Financial Statements Show Inflation Dangers

By WALTER F. VETTER

Recently I have analyzed 1947 financial reports of a number of country clubs of high and deserved prestige. The officials and directors of these clubs are successful businessmen. Their own businesses are operated with a clear and cautious concern about inflation. In several instances I have studied the 1947 annual reports of the businesses in which these club officials are responsible for policy and earnings. In each of these cases it was clear that selling prices had been increased to adjust to the diminished value of the dollar.

Generally 1947 profits after taxes were close to pre-war percentages although material and labor costs increased, in several cases, at a percentage greater than the increase in sales volume. However, sales income in 1947 was quickly and closely adjusted to the value of the pre-war dollar.

This adjustment that well managed business has made seldom has been authorized by business executives when they control the operating policies of country clubs.

In examining 1947 operating statements of the first class country clubs I found that in typical cases the clubs would have lost money in over-all operations had it not been for bar and restaurant profits.

Look Ahead to Lean Years

Of course the members may say that the club is not in business to make money. That is where members and officials fool themselves by trusting too much in the "organized not for profit" phrase in the club charter. The club had better operate in the black sufficiently to maintain a sound reserve against the lean years of general business which hit the country clubs hard.

During the past 10 years country clubs generally have had an abnormal period of increase in revenue. Part of it has been due to the domestic servant shortage and is further accounted for by older average age of members. When there are no children to be fed at home there is more of an inclination of a well-to-do married couple to "eat out."

This situation has been the primary cause of increase in country club restaurant and bar volume, rather than any outstanding performance in operation on the part of club management.

Shortage of competent help in the clubhouse and high wages have been reflected in a deterioration of the standard of service considerable below that of ten years ago. Fortunately for club managers they have been so close to the help situation and so resourceful and desperate in their clubhouse service that compared to the lowering in standard of service at first class commercial cafes and restaurants golf club deterioration of service has not been especially noticeable to members who get around.

But again, in golf club operations, the inflation picture is shown. Increase in waiter and waitress income during the past 10 years at country clubs has been in excess of the national average, when the percentage commissions on checks and the widespread breakdown of clubs' no-tipping rule is considered.

Golf club food and drink prices have not been raised commensurate with increased costs during the period when members could most easily afford to pay increases. Even now with a recession in food costs the menu charges at the better golf clubs often are too low even though number of meals served has increased in the past ten years so the club can benefit from some economies of volume operation.

Revise Dues Upward Now

It's probably too late now to adjust club food charges upward. But it isn't too late to revise club dues upward to bring them onto par with the postwar dollar and to get club finances in such sound shape that dues will cover operating expenses.

Under normal conditions to which we apparently have started to return club dues should cover operating expenses. We who have been through many fat and lean years of golf club operation recall when our high ambition was to have the restaurant and bar breaking even. During the past ten years we may have been deluded by what our black figures apparently show.

As an example I study one club's figures in which the number of meals virtually doubled in 1947 over 1939. Sales dollar volume was about three times in 1947 what it was in 1939. Cost of sales in 1947 was about $3\frac{1}{2}$ times the 1939 figure according

to the books but according to the shrunken value of the dollar the cost of sales was about seven times the 1939 figure.

So, when you look at the real picture instead of at the figures in the books, and adjust to inflation, the operation at the club actually is that it took in for meals during 1947 about 1½ times the value it received for meals in 1939 although it served twice as many meals. So, in reality the club food service lost ground, despite the pleasant illusion on the statement. The adjustment of the costs to the inflated dollar makes the illusion dangerous.

Anybody in the food business knows how commercial restaurant and cafe business of the costlier type has fallen off severely during the past six months. Night clubs have been going broke at a record rate. Usually the free spending patrons of the night clubs are not the country club class, nevertheless that drop in night club and cafe income is a sharp warning to club managers and officials in the metropolitan districts. There are plenty of club members whose club expenses have been charged to company sales or advertising expense. That condition can't be expected to last forever.

Wasted Comparisons

When examination of their own club's books by officials and the manager does not reveal inflation danger signals plain enough to get dues revised upward they're wasting time comparing their own figures with those of other clubs.

As a club manager knowing from experience and observation operating and accounting practices of other clubs I find it difficult to compare precisely the operating statements of clubs even after full and candid discussions with the managers of their clubs. All of us in club management share that difficulty and some are penalized by judgments based on misleading financial statements instead of on the actual operations.

Last year at the Club Managers' Association of America annual convention an accounting authority said that club accounting methods often were antiquated. The methods that were in vogue when the club was established still are used although accounting has advanced greatly in the past 20 years.

Probably we have a big job to do in the modernization of basic policies and methods in country club accounting but as long as farsighted action isn't taken promptly on the inflationary dangers that our present accounting plainly reveal we can't expect drastic improvement in presenting the club financial picture.

Club Operating Picture Differs

Club officials, notwithstanding their understanding and mastery of general business and close control by financial data

still have to acquire the clear perspective of the country club operating picture that the experienced manager has. The manager of a country club in the central or northern states realizes fully that he is in a business that has a fairly short season of peak business. He watches operations closely so he doesn't get caught out on a limb, and often with his authority restricted, can't exercise his sound and considered judgment.

That's not so bad in a time of increasing income, even with the inflationary factor, but when inflation gets out of bounds and the trend suddenly reverses the responsibility for quick action is primarily up to the club officials. Club officials who haven't discussed the possibility of an abrupt change in the country club restaurant and bar business with their managers and who have failed to adjust dues to provide fixed charges and operating expenses are bequeathing a heritage of headaches to the administrations which will follow them.

WILLIE DUNN, FIRST U.S. OPEN CHAMP, NOW 84



Willie Dunn won the first U. S. Open championship at St. Andrews from a field of four in 1894, a year before the USGA established a national open championship. Willie came to the U. S. in March 1891 after completing construction of the course at Biarritz, France. First U. S. course he laid out was Shinnecock Hills. Lakewood, Ardsley, Baltimore CC, Philadelphia CC and Jekyll Island were other early ones among the many he designed. He was a fine teacher in those days and contributed much to club design.

He celebrated his 84th birthday, Nov. 8, 1947 at 10 Norroy rd., Putney, SW 15, Eng. Willie's got too much mileage on him for working and is having tough going but making no squawks. Chances are he could use assistance from American golfers.