

# Fundamentals of Correct Golf Course Accounting

By JOSEPH J. CANTY

Joseph J. Canty is the certified public accountant whose services are retained by the Merion GC, Philadelphia Cricket Club, Gulph Mills GC, Sunnybrook GC and several other clubs in the Philadelphia district. For many years he has specialized in club accounting and is familiar with the operating and administration problems of golf clubs.

This is the talk he gave before the Philadelphia Association of Golf Course Supts. The Philadelphia district superintendents found Canty's paper so definitely informative and helpful they urge that it be read by other supts. and club officials.

Of all the expenses of a golf club, the most important and, generally, the largest is its green committee expense. While it is, of course, necessary to maintain a clubhouse, locker room, golf shop and, usually, a restaurant and bar, the golf course is the basic reason for a club's existence and, to most people, a club's reputation is determined by the character of the course itself and the manner in which it is maintained.

Most club members take a natural pride in their particular golf course and are resentful when a non-member criticizes it in any way. They want their course to be on a par with the best courses in the area and, within limits, are willing to spend whatever is needed for its proper maintenance and to provide funds for added features which will heighten its reputation as a true test of a golfer's ability. Few players prefer an easy course and there is no pleasure in reporting a good score when it is made on a course which is popularly known as a "pushover".

The proper care and maintenance of a good 18-hole course is an expensive undertaking — much more so than it used to be, like everything else. Labor costs have more than doubled in the past dozen years and the cost of new equipment, chemicals, seed and other necessities has followed a similar course.

As a result, the maintenance of the golf course takes a big bite out of the annual

budget and, even though a member is most anxious that his course be maintained in the best possible manner, he wants to be assured that the green committee is spending the money wisely and that none of it is being wasted.

Is there any way in which he can find this out? Well for one thing, he can compare his club's 1951 green committee expenses with the 1950 expenses, or with the expenses for 1945, or 1940. What will this tell him? For one thing, he will certainly see that the expenses have increased substantially but how is he to know whether or not the increase is more than it should be?

The answer, to his mind, is extremely simple and all he has to do is to compare his own club's total green committee expenses with those of some other club, or with two or more other clubs. It probably doesn't occur to him that there is no hard and fast rule as to what is included in green committee expense and, as a result, he draws erroneous conclusions from a comparison of the expenses of two different clubs which are not on a comparable basis and cannot be compared without making certain adjustments and allowances.

## Not on Comparable Basis

Why aren't two clubs on a comparable basis, inasmuch as they both have similar golf courses and the same problems of maintenance and upkeep?

Well, there are a great many reasons. Golf clubs, as a rule, are what are known as non-profit corporations and, since they are not subject to the Federal income tax, they may keep their books in any way they see fit; if they charge some item off as an expense, they don't have to worry about whether or not the collector of internal revenue, or one of his assistants, will agree with their decision.

If a new piece of equipment is purchased which has a useful life of from six to eight years, they can, if they wish to, charge the entire cost to one year's operation. It would not be good accounting, but why worry about that? The money is gone, so let's get the item off the books. Sure, the money is gone, but one year's expenses are out of proportion to the other five or six.

Take such items as the caddymaster's



## A MASTERPIECE IN THE MAKING

The uninitiated may get a fair idea of the imagination and construction difficulties involved in the work of a golf architect by looking at these two pictures Tom Mascaro made of the Lakeside CC course Ralph Plummer has designed and is building at Houston. Fairways on most of the holes are being cut out of forests of massive oaks and pine and the stream that flows through the site provides plenty of problems of flood control. The water hole site shown is to be the 9th, with the green on the far side. The new club is to be a \$1,000,000 establishment with the first 200 charter members paying \$2000 per and tax and the second 200 paying a higher initiation fee to be set by the first 200. In Texas, as you may have heard tell, they don't believe in trifling around with things.

salary or the salary of the professional. Are they to be included in green committee expense or not? Some clubs say they should be — others think they should not. What about the maintenance of the grounds around the clubhouse, the driveways, hedges, etc. They are in no way essential to the upkeep of the golf course, yet many clubs make no allowance for the time and expense of the green committee in maintaining these items.

To get a little further, one club considers green fees to be income of the green committee and, as such, subtracts them from the green committee expenses.

### What Is Green Committee Expense?

Since there are so many ways to interpret the words "green committee expense", is there any really correct way? I think there is, although I must admit that many arguments could be put forth for the inclusion or exclusion of this, that or the other thing.

In the first place, the expense of the caddy master and his assistant are not part of the cost of maintaining the course and should be eliminated. The same thing is true of the golf professional; after all,

the amount of the professional' salary is determined by the size of the club and the amount of business he can expect to do, his personal qualifications as a competitive golfer or teacher and other considerations.

Maintaining lawns, hedges, driveways, etc., which are not part of the course, are grounds committee expense, not green committee expense, and green fees should be left out of consideration for reasons which should be clear to all of us.

If all of the foregoing items are eliminated, what is left? Well, there is the superintendent's salary and the wages of the foreman, mechanics and men on the course; there is the cost of seed, fertilizers, fungicides and sand; there are such items as hose, sprinklers, gasoline and oil, tee towels, soap, rakes, sickles and other supplies. There is the cost of water for irrigation and the cost of maintaining the equipment in efficient working condition.

What about this equipment? You must have trucks, tractors, mowers, sprayers, aerifiers, and the equipment needed to repair or sharpen them. How then should these be charged to green committee ex-



Eddie Dyer of baseball fame and now a Texas insurance man (plus oil, of course) heads the syndicate of 10 financing the new club. Plummer got the green light to give them a great championship course. Among the new features will be the latest in complete irrigation, high-pressure and hoseless, and a superfine strain of Bermuda on the greens. The greens will average about 8000 sq. ft. and Plummer says they'll all have mighty interesting contours. Greens are to be constructed of a soil, sand and peat mixture spread over a sub-drainage material that Plummer says is perfect and new in that section. It's a lightweight ceramic product, clay baked and ground into clinkers  $\frac{1}{2}$  to  $1\frac{1}{2}$  in. in size. It is called Herculite and is made just outside of Houston. Bud Wild of Houston, representing the syndicate of founding members, and engineer of the membership campaign, is on the job with Plummer.

pense — in full at the time of purchase? I should hardly think so. If you paid your real estate taxes in the month of May, would you consider them part of your May expenses? Of course you wouldn't because the taxes are for an entire year and not for any particular month.

It is the same way with a tractor, or any other piece of equipment, for that matter. What you are paying for is the service you expect to get out of it. How much service, a year? Naturally not — five or six years at the very least and it will still have some trade-in value at that time. Then how should green committee expense be charged? Why, by deducting the estimated trade-in value from the cost and then dividing the remainder by the number of years of service expected. This would give you the annual cost for the use of the tractor and the same could be done for each piece of equipment.

This, however, would be a lot of trouble and might be very irritating to the book-keeper or accountant, since there are several tractors, as well as mowers, sprayers, etc. and to do this for each item would

take a great deal of time. Is there an easier way? There certainly is.

From past experience, it is possible to determine the average annual amount spent for the purchase of new machinery and equipment with reasonable accuracy. When this has been computed, simply divide the amount by 12 and you have your monthly depreciation expense for equipment.

As green committee expense is charged with this amount each month, an account known as a reserve is credited and it is to this latter account, and not to green committee expense, that the cost of a new piece of equipment is charged.

#### Charge to Proper Period

The main objective in all accounting for green committee expenses is to see that they are charged to the proper accounting period. With salaries and wages, this usually presents no problem because wages are paid when earned and are automatically charged to the proper year. The same is true of gasoline and oil, repair parts, small tools, paint and hardware supplies.

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### Court Upholds Solution of Course Race Problem

By FRANCIS GEORGE

The Miami Springs (Fla.) CC, like other southern municipal golf courses, had a race problem. H. H. Arnold, its supt., solved the problem in a manner that has been tested in court, is workable in practice and is so fair that Arnold has been able to overcome almost all opposition by showing objectors his records.

The Miami municipal golf course is supported solely by green fees, and it must be used by 200 golfers daily in order to break even. For a time Arnold threw it open to both colored and white golfers but white attendance dropped so seriously that he could not continue. He kept records of the number of players by race and during a typical week in April only 82 colored golfers used the course ranging in number from 52 on Friday to 6 on Sunday.

Arnold then adopted the rule that colored golfers exclusively will use the links one day a week, white the other six. Arnold's attendance records show how

many use the course; as soon as enough colored players use it to pay for their day, which they do not yet, he will allot them another day, and if enough come and white attendance declines he will allot additional days based on ratio of use.

This scheme has been held constitutional and not illegally discriminating for municipal facilities. Private clubs can make any rules they choose, but municipally owned golf courses must not discriminate, but if they are fair, and Arnold's records show that he is, they can segregate where it is necessary to the survival of the club.

(Rice v. Arnold 1 Fla. 45 So. 2d 195)

### GOLF COURSE ACCOUNTING

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However, it might not be true in the case of seed, chemicals, etc. Suppose, for instance, that, in order to protect the club against an expected price increase, the committee, in December, 1951, buys all or a large part of its needs for 1952. Which year's expenses should be charged — certainly not the 1951 expenses. How, then,

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can we get around this? The answer is that the material on hand at the end of the year should be inventoried and an entry made on the books crediting the 1951 expenses and charging an inventory account with the value of the merchandise. In 1952, the process is reversed—green committee expense is charged and the inventory account credited.

Thus far, we have been considering green committee expense on an annual basis but, you may say, how about our monthly expense comparisons? Is there any way in which we can make any given month's expenses compare with the same month of the prior year?

This brings up a new problem. If wages are paid semi-monthly, the two months will be comparable but, if they are paid weekly, they may not be because one month might have five pay periods and the other only four.

This might be explained to your chairman or, better yet, a bookkeeping method could be adopted whereby each month is charged with wages earned rather than wages paid. As to seed, fertilizers, etc., the inventory method works just as well on a monthly basis as it does on an annual basis. Joe Valinette, for instance, prepares such an inventory at the end of every month and, after verifying his pricings and arithmetic, which are usually correct, the expenses are adjusted accordingly. As a result, each month's expenses are charged only for the material actually used within the month, which is as it should be.

Even though all these things are done, the figures for the month may show a substantial increase over the previous year for various reasons. The rate of pay, or salaries may have been increased or the cost of seed and chemicals may have advanced. Unusual weather conditions may have made additional expenses necessary or there may have been an infestation of some grub or fungus which required expensive treatment. These things are unavoidable and, when they occur, it is only natural that expenses should go up. However, the elimination of caddy, professional and grounds committee expense items makes the picture clear—an increase in green committee expense is what it appears to be and not something which was due to driveway resurfacing or some other item which has nothing at all to do with golf course maintenance.

#### **Urges Uniform Accounting**

When I said that the expenses of one club could not be compared directly with another, unless certain adjustments were made, I did not mean to imply that such comparisons have no value and my own feeling is quite the opposite. I think each club, for its own good, should make its figures available to the other members of

the association and that they should be compared.

The difficulty, at present, is that, through the use of different accounting methods, the figures for the various clubs make a true comparison difficult, and it is not necessary that this should be so. It wouldn't be any great trouble for all the clubs in the district to adopt a uniform system with respect to the accounting for green committee expense and the figures thus obtained would have a much greater value for comparative purposes.

If such information were available, it would have great value, both for you and your chairmen, and you might well find that something which you had heretofore considered an unavoidable expense could be eliminated without difficulty.

If the comparison should put you in an unfavorable light, you can always fall back on the explanation that so-and-so has much less acreage, that there is more lime in his soil, that his course has better drainage, or less clay or any one of 50 other explanations with which I am sure you are more familiar than I, who have only listened to a few.

At any rate, the number of men employed, the matter of winter employment, the methods of machinery and tool maintenance and many other things are of interest to all and a free exchange of this information would hurt no one and help a great many.

Another reason for uniformity in green committee accounting is the fact that green committee chairmen are changed with such frequency. If a club were a business organization, the chance are that a green committee chairman who filled the job satisfactorily would go on for years and, in the course of time would become so familiar with the problems of the superintendent that a tedious explanation would not be required every time it becomes necessary to spend some money.

Clubs, however, are not business organizations. The officers, governors and chairmen serve without pay and it is unreasonable to expect that they should devote their time and efforts to the club's affairs over a long period of time. After all, there are lots of other members—let them do something for a change so that I can go out and play golf and concentrate on my putting instead of brownpatch, beetle grubs and the like.

As a result, Mr. Brown, who, although a lawyer by profession, has become a pretty well informed green committee chairman, hands the job over to Mr. Smith, who might be in the advertising business. He knows little about grass except that it is green and requires water and cutting but is willing to learn and, in the course of time, may become a fine chairman, at which time he will undoubtedly hand the job to Mr. Jones, whose

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qualifications are that he is a successful banker.

Generally the men are quite willing to admit their lack of experience for the job and will do their best to work with the superintendent for the good of the course; sometimes, however, their lack of experience may cause them to quibble over a perfectly proper expenditure and it is then that the superintendent needs to be well-informed. If he can explain the matter to the satisfaction of his new chairman, the chairman won't just "have to take his word for it".

The chairman has to face the board of governors and he wouldn't feel happy in asking for an appropriation when his only explanation is that the superintendent says we need it. Sound accounting procedures and comparative figures would go a long way towards convincing a new and inexperienced chairman that everything is as it should be.

As to the annual budget request, I think it most important that the expenses comprising golf course maintenance should be kept separate from everything else. The estimated cost of caddy supervision, the professional's salary or allowance, the cost of maintaining grounds which are not part of the golf course itself, and similar expenses, should constitute a similar request. If a reserve for the replacement of equipment is not maintained, the cost of new equipment needed should be separately shown and the same is true of

any major change in the course if a considerable expenditure is involved.

Minor changes which can be done by the club's own employees, without outside assistance, should be included in the golf course maintenance budget. If this procedure is followed, the golf course maintenance expenses will not be distorted by the inclusion of irrelevant items and the board of governors will be in a position to reach a decision with full possession of the facts. The board may then approve or modify the green committee budget request in the light of surrounding circumstances.

### PROS TELL IDEAS

*(Continued from page 32)*

sale of a new set of top price irons represents a gross profit of \$5 or \$6 a year, considering the time the clubs will be used before replacement with a more modern set. That gross profit may be further reduced by allowances and selling costs on trade-in sets and I'm inclined to think that the member who knows the least little thing about pro business must think that the pro who gives too much as trade-in allowance is a bad businessman."

### Keep Close Watch on Stock

Dewey Longworth, Claremont CC, Oakland, Calif., long and widely known as a sound pro businessman, says that much

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