

Increase in Dues Enabled Clubs to Reduce 1960 Deficits

Upward Trend in Both Receipts and Expenses Continued During Year, Says Horwath & Horwath Report

A study of 52 clubs — 10 small, 26 medium, 14 large and 2 very large — made by Horwath & Horwath, New York, accountants and consultants, shows that country clubs came a little closer in 1960 to making ends meet than they did in 1959. However, H & H points out, in its 12th annual report, that operating deficits generally were reduced only because of substantial increases in dues income.

For purposes of classification, clubs are broken down in the following manner in the report:

Small — dues income of less than \$100,000 (this includes a regular assessment at one club);

Medium — dues incomes of from \$100,000 to \$200,000 (including regular assessments at four clubs);

Large — dues income of from \$200,000 to \$400,000 (including regular assessments at four clubs);

Very Large — dues income of more than \$400,000.

According to H & H, there has been a constant upward trend in both dues in-

come and operating costs in recent years, but the amount of money coming in has not increased at a faster rate than it has been paid out. Between 1959 and 1960, however, deficits of medium and large clubs were reduced while those of small clubs held steady.

Ratios Held Steady

Operating expenses at all types of clubs took about as much of the dues dollar in 1960 as in 1959. These expenses include cost of running the clubhouse, maintaining grounds and course and of making a pool and tennis courts available to members. At small and medium clubs such expenses take about 75 cents of the dollar, but at large clubs, the ratio is cut down to around 70.

Fixed charges (rent, taxes, insurance and interest) range from 16 to 18 cents per dollar at all classes of clubs.

Reserves set aside for depreciation and rehabilitation expenses also don't vary much at the different types of clubs. In 1960, for example, they ranged from 14 to 16 cents. Dues available for members'

COST PER HOLE

	10 <i>Small</i> <i>Country Clubs</i>		26 <i>Medium</i> <i>Country Clubs</i>		14 <i>Large</i> <i>Country Clubs</i>	
	(Dues under \$1000,000)		(Dues - \$100,000 to \$200,000)		(Dues - \$200,000 to \$400,000)	
	1960	1959	1960	1959	1960	1959
Course & grounds maintenance						
Payroll	\$1261	\$1223	\$1927	\$1824	\$2349	\$2250
Supplies and contracts	482	431	497	478	556	488
Repairs to equipment, build- ings, fences, bridges etc. . . .	164	153	219	229	230	244
Water, electricity, etc	52	45	154	137	203	183
Total maintenance exclusive of fixed charges	1959	1852	2797	2668	3338	3165
Golf shop, caddy, tourney expenses	260	264	392	379	481	436
Total	2219	2116	3189	3047	3819	3601
Deduct green fees	400	365	817	740	796	705
Net course & ground expense exclusive of fixed charges	\$1819	\$1751	\$2372	\$2307	\$3023	\$2896

equity at small clubs again were on the deficit side, being 9.8 in 1960, the same as the year before. At medium clubs, the equity deficit was reduced from 10.4 to 7.3 and at large clubs, from 3.4 to 2.5, between the two years.

Many Increased Dues

Twenty of the 52 clubs that cooperated with Horwath & Horwath in supplying financial data reported 1960 increases in regular dues while eleven clubs raised their initiation fees.

In both small and large clubs, the ratio of total payroll to total income was higher in 1960 than in 1959, but at medium-size clubs an increase in dues income resulted in a slight decrease in the payroll ratio.

In 1960, however, small clubs continued to spend less of their income on payroll than medium and large clubs. In all instances these expenditures amounted to very close to 40 per cent of income. Small clubs also ran their clubhouses more economically, probably because of their less complicated type of operation.

Food, Beverage Profits Down

Food and beverage operations generally showed lower profits in 1960 than in 1959, with the most severe drop occurring at medium-size clubs. Actually, the medium clubs lost money on food sales in 1960 in contrast to the very slight profits they showed the year before. However, beverage profit bailed them out. Small clubs continued to show the highest restaurant profit ratios. This was in spite of the fact that food and beverage costs per sale were up in 1960 at small clubs although they were either down

or unchanged at medium and large clubs. Once, again a closer check on payroll expenditures enabled the small clubs to fare better in overall restaurant operation.

Maintenance Costs Increased

Gross cost of maintaining the course and grounds was higher in all three club groups in 1960 than in 1959, but in the ratio of cost to income, only small clubs showed an increase. There is a surprisingly large spread in the ratio of maintenance costs among small, medium and large clubs. In 1960, for example, more than 44 percent of the dues dollar went for maintaining the course and grounds at small clubs; it amounted to only about 35 per cent at medium clubs and a little less than 30 at large clubs. However, on an actual cost-per-hole basis, the small clubs were far outstripped by the medium and large clubs (See chart). The increase in the cost of maintenance per hole in 1960 over 1959 was \$107 at small clubs, \$129 at medium clubs, and \$173 at large clubs.

Maintenance payroll costs, which continue to constitute about two-thirds of gross maintenance costs, again were up in 1960 over 1959. At small clubs, the increase amounted to \$38 a hole. At medium clubs the increase was \$103 and at large clubs, \$99.

Horwath & Horwath emphasizes that all information and data in its annual reports is based on its "Uniform System of Accounts for Clubs." Comparisons made with its findings are reliable or valid only if this system is followed.