

The Country Club \$

Where Does It Go?

By CARL JEHLIN

The profit and loss statement should be of interest since it reports the net operating results of the club departments, and the net amount of club dollars that each department contributes to or requires from the operation. For example, every club anticipates that its bar operation will result in a profit. By the same token, every private club realizes that the greens and grounds or golf course operation will have a greater expense requirement than the amount of direct income received from fees regardless of the volume of play or the amount of fees. Through examination of the profit and loss statement, you can determine generally the areas that require club dollars, to what extent they require club dollars, and how this requirement is met.

The club balance sheet is not pertinent to this discussion. The balance sheet basically represents the state of the club's health, whether its assets and liabilities are in proper balance and how it stands financially after the club dollar has been distributed and all current expenses have been paid.

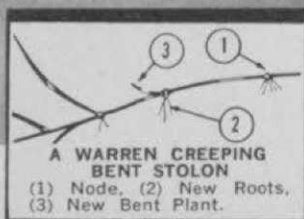
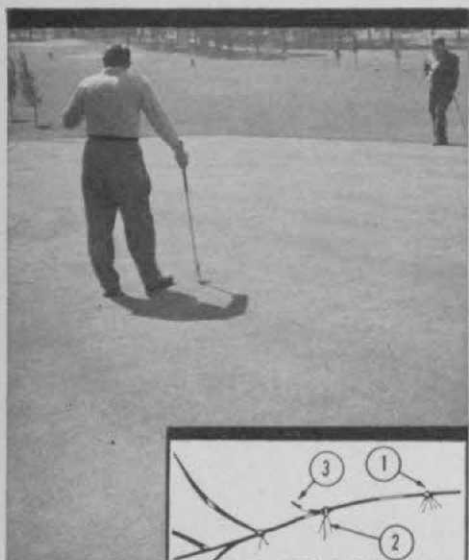
Of course, the most pertinent analysis of the distribution of expense within your own operating department is the monthly departmental operating report. In my estimation it is essential that all department heads receive the monthly report so that they may know how they are faring as compared with last year's operation and this year's budget. The minimum essential information that this report should carry is a complete breakdown of income and expenses for the month under consideration, a comparison with the same month last year, a cumulative report for the year to date, and the current previous year to date, and the current annual budget. I believe that bringing this information into proper focus for this discussion can best be undertaken by using data contained in studies and surveys that combine the combined expenditures of a large number of clubs. These are published annually by two of the leading firms specializing in club accounting. I suggest we examine one of these recent annual studies to provide us with the average ratio of club dollars spent.

Distribution of Dollar

The one I have selected states that the distribution of the revenue dollar of 50 clubs for the 1960-1961 annual fiscal period was as follows: Out of each dollar — 40 cents was spent for payroll, with an additional 6 cents going for fringe benefits for a total of 46 cents; 23 cents was spent for the cost of goods sold in the various service departments such as restaurant, bar and tobacco, and of that 13 cents was for food, 8 cents was for beverages and 2 cents for other items; 22 cents was expended for all other operating expenses; and 6 cents for



Carl Jehlen



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rent, taxes and insurance. This left a balance of 3 cents out of each dollar to take care of debt service and capital improvements.

I am sure that we find these figures very interesting. It is significant to realize that of every available club dollar, 40 cents is directed toward cash payroll and that additionally an amount equal to 15 per cent of payroll is required to meet the cost of direct fringe benefits. It is well for us to keep this in mind. When increased wages or additional personnel are up for consideration in your department, remember that the cost to the club is not only in the payroll(but the payroll plus 15 per cent.

This 15 per cent doesn't represent an increased expense in the operating department, for it is ultimately carried under administrative and general expenses. However, club dollars must be found to pay for the fringes as well as for increased payrolls. In this connection let me digress momentarily to call your attention to what may well be termed a hidden cost and at the same time, emphasize the need for increased increments, so club management will be on a comparable level with industry whenever we enter the highly competitive labor market seeking employees.

Competent Use of Personnel

When we compare the 46 cent cost of payroll with a cost of 22 cents for all other operating expense, and a cost of 23 cents for the cost of all goods sold, it is not difficult to visualize the extent to which the successful operation of our club depends upon competent and economical use of personnel. It is not difficult to visualize the extent to which available club dollars depend upon remaining funds after payrolls have been met.

In the area of all other operating expenses, we find our department items of heat, light & power, materials for maintenance, replacement supplies, and outside contractor expenses. I believe that we are all keenly sensitive to costs and cost controls in this area.

This article is condensed from a speech given by Carl Jehlen at the annual USGA green section meeting held in New York last January. Jehlen is the club manager at Baltusrol in Springfield, N.J.

The second part of this article will appear in July Goldom.