

Financial Trends in the Operation of US Golf Courses

Public golf steady, private golf slipping

By Andy Hinds



In the late 1990s, the Society of Golf Appraisers (SGA) launched a database to track the financial performance of golf facilities across the U.S. The revenues and expenses of golf facilities are compiled biannually and serve as a national data bank to perform financial comparisons and analyses. The names and specific locations of the clubs are kept confidential, and the annual survey is available only to members of the SGA for use in their appraisal and consulting work.

These financial reports are compiled for daily fee courses, semi-private courses, for-profit private clubs and not-for-profit private clubs. The emphasis of this article is private golf clubs, which include for-profit and not-for-profit private clubs. The public courses include both daily-fee and semi-private courses. The surveys discussed in this article have been compiled for public courses in the two years preceding 2001, 2003, 2005 and 2007 and private clubs in the two years preceding 2003, 2005 and 2007 only. Inadequate private club financial data was available for 1999 and 2000.

To facilitate the comparison and analysis process, all financial statements are converted to the Uniform System of Financial Reporting

for Clubs. The “Uniform System of Financial Reporting for Clubs” book is published by CMAA, and it contains detailed information on the proper use of the Uniform System. In my opinion, the most important advantages of the Uniform System include:

1. Revenues are segregated into departmental categories.
2. Costs and expenses directly attributable to these departments are also categorized into the same departments.
3. Pairing departmental revenues with combined departmental costs and expenses measures the profitability of each department.
4. Undistributed expenses and fixed expenses are also segregated into standard categories and deducted to indicate the net revenue.
5. The finances of golf facilities reported in the Uniform System enhance the process of analyzing and comparing profitability to other facilities that use the same reporting system.
6. Revenues, costs and expenses can be expressed as dollar amounts, percentages and dollars per round, per hole or per member to refine comparisons.

An example of using the Uniform System for a hypothetical private golf club is shown in the chart on page 27. As you can see in the chart, pairing the sum of membership dues and guest fees with golf course maintenance expenses indicates that the \$1,300,000 gross profit from the golf department (\$2,000,000 less \$700,000) is by far the largest departmental profit of the club operation. Conversely, using the same method of comparison, the pro shop operates at a loss of \$65,000. Measuring the profitability of the cart, range food and beverage, tennis, swim and other departments is easy by comparing revenues with expenses. An annual operating statement like this provides a valuable basis of comparison for the particular club operation in a year-to-year comparison of the same club, the club to another club, or the club to a group of similar clubs.

In the chart example, members played 18,000 rounds and guests played 2,000 rounds. Revenue, cost and expense line items also can be compared on a per-round basis by simply dividing each line item amount by the number of rounds played annually. The first two line items are strictly member revenues, so the sum of initiation fees, deposits and membership dues is divided by member rounds. The third line item is revenue derived from guest fees, so it is divided by guest rounds. The resulting dollar amount per round indicates the member and guest contribution per round to the costs and expenses of maintaining the golf course.

Editor's note: Although the statistics contained in this article do not reflect information from the past year, the analysis provides key financial trend information for golf club managers.

As previously stated, the SGA database information is proprietary, so actual detailed reporting of the line-by-line revenues, costs and expenses in this article is prohibited. However, the aggregated results in Exhibit A are indicative of recent trends in public golf. **Total revenues have shown a slight decline, but costs and expenses have been controlled to produce relatively consistent net revenues.**

Despite the dramatic increase in the supply of public golf courses in the period from 1990 to 2006, the results of the SGA surveys show that the operations of public golf courses and their financial performances have been fairly consistent over the last eight years. This result is surprising because most of the growth in golf course supply has focused on the upscale public sector of the golf market. However, the results of the SGA surveys document the relative consistency in operations as shown on the 2001 to 2007 Public Golf Course Financial Survey Results chart. Perhaps the recent tapering of the number of new public courses entering the market coupled with the recent trend of golf course demolitions has contributed to maintaining profits in the public golf sector. Similarly, the aggregated results in Exhibit B are instructive of trends in private golf.

These three biannual survey results reflect the following trend in the private sector of the golf business: **Private clubs have been able to maintain total revenues, but costs and expenses have continued to increase, resulting in a serious decline in the net revenues of private clubs.**

Even though the growth in the number of facilities has been more modest in private club development during the previous six-year time period, the operations

at private clubs have reflected greater economic challenges. As reported in various media, private clubs are meeting increasing competition from other private clubs as well as non-club-oriented activities of today's society. Whether it is kid's soccer games, dance classes or parents increasing responsibilities at work, private clubs are experiencing major challenges retaining members and maintaining profitable operations. In an era when a leisurely reading of the daily newspaper has eroded to a short string of news bites on TV, golfers are increasingly struggling to find time to justify a four-hour jaunt around the links.

The trends reported here are based on nationwide data from a large number of facilities. Performance of an individual club can vary substantially from these indicators based on location, market conditions, physical characteristics and other factors. However, every dollar of revenue, cost and expense should be carefully analyzed in today's competitive golf market. Given the recent trends discussed here, private clubs may have to be more diligent than ever in budgeting and operating in the current market. Even if a club is a not-for-profit, adequate annual net revenues for capital expenditures, unforeseen events and annual debt service, if mortgaged, are essential.

Therefore, the Uniform System measures profitability, provides a standard system for financial comparisons and documents the club's operating history, which can be helpful if a sale of the facility is desired. When facility owners and managers seek to analyze their specific facility's revenue, costs, expenses and profitability or consider a possible sale, the

An Application of the Uniform System to a Private Golf Club

	\$	% of Total	\$ Per Round
REVENUES:			
Initiation Fees and Deposits	\$300,000	7.5%	\$16.67
Membership Dues	\$1,800,000	45.0%	\$100.00
Guest Fees	\$200,000	5.0%	\$100.00
Golf Cart Fees	\$300,000	7.5%	\$15.00
Range Fees	\$40,000	1.0%	\$2.00
Food & Beverage	\$1,000,000	25.0%	\$50.00
Pro Shop	\$260,000	6.5%	\$13.00
Tennis and Swim	\$60,000	1.5%	\$3.00
Other	\$40,000	1.0%	\$2.00
Total Revenue:	\$4,000,000	100.0%	\$200.00
DEPARTMENTAL COSTS & EXPENSES:			
Golf Course Maintenance	\$700,000	35.0%	\$35.00
Golf Carts	\$75,000	25.0%	\$3.75
Range	\$10,000	25.0%	\$0.50
Food & Beverage	\$950,000	95.0%	\$47.50
Pro Shop	\$325,000	125.0%	\$16.25
Tennis and Swim	\$150,000	250.0%	\$7.50
Other	\$30,000	75.0%	\$1.50
Total Departmental Costs & Expenses:	\$2,240,000	56.0%	\$112.00
UNDISTRIBUTED EXPENSES:			
Administrative & General	\$500,000	12.5%	\$25.00
Management Fees	\$140,000	3.5%	\$7.00
Marketing & Entertainment	\$120,000	3.0%	\$6.00
Professional Fees	\$40,000	1.0%	\$2.00
Utilities	\$120,000	3.0%	\$6.00
Clubhouse Repairs & Maintenance	\$140,000	3.5%	\$7.00
Total Undistributed Expenses:	\$1,060,000	26.5%	\$53.00
REVENUE BEFORE FIXED CHARGES:	\$700,000	17.5%	\$35.00
FIXED CHARGES:			
Real & Personal Property Taxes	\$100,000	2.5%	\$5.00
Property Insurance	\$60,000	1.5%	\$3.00
Reserves for Replacement	\$140,000	3.5%	\$7.00
Total Fixed Charges:	\$300,000	7.5%	\$15.00
TOTAL COSTS & EXPENSES:	\$3,600,000	90.0%	\$180.00
NET OPERATING REVENUE:	\$400,000	10.0%	\$20.00

SGA database can be tailored to provide benchmark performance data from comparable facilities and markets to facilitate an apples-to-apples comparison to serve as a useful tool for analyzing a golf club operation and its current value. ■

About the author

Andy Hinds, MAI, SGA, is a member of the Appraisal Institute and president of the Society of Golf Appraisers. In 1991, he founded Hotel and Club Associates, a North Carolina and Virginia appraisal firm focusing exclusively on hotel, golf and resort properties.

Exhibit A

Public Golf
2001 to 2007 Public Golf Course Financial Survey Results

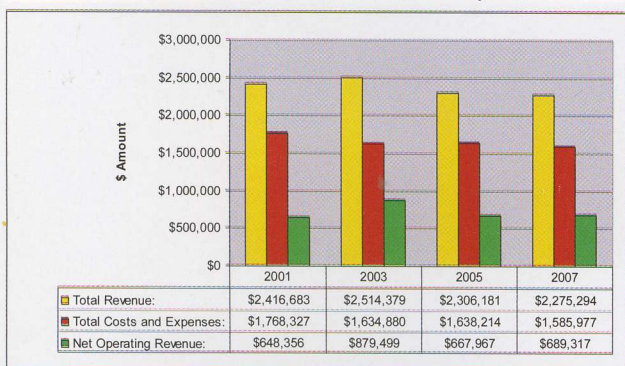
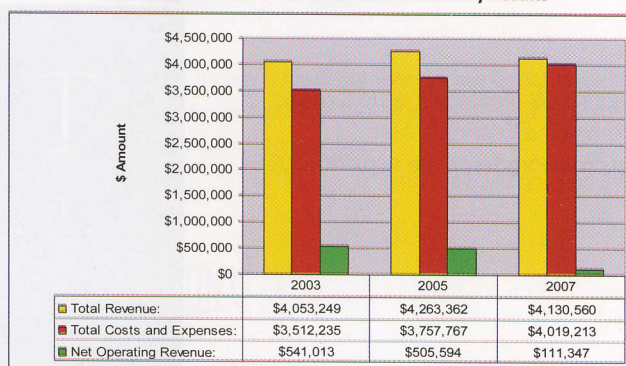


Exhibit B

Private Golf
2003 to 2007 Private Golf Club Financial Survey Results



These four biannual surveys reflect the following trend in the public sector of the golf business.