



Avon Valley Golf & Country Club

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Financial Information for the 45th Annual General Meeting of Shareholders

- March 20, 2016 -

Treasurer's Report *and* Operating Budget Fiscal 2015- 2016

The 2015 *Audited Financial Statements* are presented in a separate document and in the revised format that was adopted at the 2014 Annual General Meeting.

Please note that the *Capital Budget* proposed for 2016 (shown in a separated document) is *provisional* only: The proposed expenditures will be made *only* if supportable by the Club's financial situation as it develops over the season



Avon Valley Golf and Country Club

Treasurer's Report

Year ended October 31, 2015 (2015 Playing Season)

2015 Playing Season Financial Review

The 2015 playing season was another difficult one for the Club with the extreme winter last year resulting in the Club opening a month later than usual, combined with poor weather during the early part of the season, and continued declining membership resulted in lower than projected revenue which we were unable to make up with reduced expenditures to bridge the shortfall. All of these factors contributed to result in an operational loss of \$59,716 for the year. The statement of operations and changes in net asset includes a one-time revenue item "Insurance Proceeds" and a one-time expenditure "Insurance building repair". This represents the insurance proceeds and costs associated with the damage to the maintenance building due to snow load last winter. As the Club managed the repair and rebuild it is shown in our statements. Without this item then revenue would have been under budget by \$99,867 while expenditures would have been under budget by \$60,001. The budgeted loss was projected to be \$19,800 but with the additional difference between revenue shortage and expenses less than budget it resulted in the loss totalling \$59,716. As was the case in the previous year when it became clear that membership revenue was going to be less than budgeted and with the late opening and poor weather early in the season affected playing conditions and green fee revenue, the Board and GM took steps to reduce expenditures where possible while still maintaining the condition of the course.

The reality is that it costs between \$1.2 and \$1.3 million to operate and maintain the golf course and its support operations for a full golf season. With membership declining which is being experienced by all golf courses there are only a limited number choices. Increase the prices for dues and services for members beyond the rate of inflation, replace the shortage with non-member revenue, reduce expenditures which will mean less services and course maintenance or some combination of all of these will have to be undertaken in order to avoid losses in the future. During the year the club paid off two long term leases for the golf carts purchased five years ago and the reel sharpener purchased to save the costs of outsourcing the sharpening the mower reels. There was a payout of \$45,000 on the lease for the golf carts from the original loan of \$109,800 in 2011. In addition \$42,358 was paid down on the mortgage leaving a balance at October 31, 2015 of \$783,080.

Revenue

As stated above, our total club revenue was under budget by \$99,867. Of the various components of revenue, membership revenue fell short of budget by \$48,412 as a result of the further decline in membership, while food and beverage revenue fell short by \$13,645. Gas cart revenue was under budget by \$39,745, outside tournaments by \$23,997 and green fees by \$8,742. These revenue shortfalls were partially offset by pro-shop revenue which exceeded budget by \$25,387, pro-shop services exceeded budget by \$1,311, advertising by \$4,130 and rebates and other income by \$3,846.

The continued decline in membership numbers is of concern as our longer-term members get older. Although we attract new members every year, their numbers have been insufficient to replace those who do not renew. The revenue from membership dues had been steadily declining since 2009 with the exception of 2011 when the initiation fees were eliminated. In 2009 dues revenue was \$511,604 compared to \$401,588 for 2015. This is despite an annual inflationary increase. This is an industry-wide phenomenon and not unique to Avon Valley.

The food and beverage revenue although under budget improved over the previous year considering we were over a month late opening and the net loss was under budget for the year when the labour savings were factored in. Pro-shop sales and services also exceeded budget which is encouraging and green fee revenue was close to budget considering the late start to the season.

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Expenditures

Expenditures are presented in the format adopted two years ago and allocated between five cost centers for financial statement purposes which parallel the operational organization of the Club. Direct expenses for providing each service such as cost of sales, salaries and benefits, and operations and maintenance are reflected in each cost center. Indirect costs such as depreciation are allocated to each cost center either based on actual amounts, such as for gas carts, grounds equipment or in the case of the clubhouse facility, on the basis of square footage allocation. Long term interest on the mortgage and insurance on the clubhouse facility is also allocated on the basis of the building's square footage, while taxes are allocated based on the assessment of the property. While this does not change the final result, the proper allocation of costs to each of the named operational organizations, together with their being presented in a single statement, gives us a summary of costs with ready comparison to the budgeted amount as well as to the previous year's budget and actuals.

Total operating expenditures amounted to \$1,309,549 which included the insurance building repair of \$129,750. When this is deducted total operating expenditures were \$1,179,799 and were under budget by \$60,001. Total operating expenditures decreased \$66,351 over last year due mainly to wages because of the short season and were lower than the 2012 total of \$1,283,898 by \$104,099 despite cost increases such as minimum wage.

A conscious effort was made to control costs at the point when it became apparent that achieving the budgeted revenue particularly membership was not going to happen. Wherever possible this was done without detriment to the playing quality of the course. It's also important to note that it is not possible to reduce many of our expenses in the short term. Amortization and depreciation, audit, bank charges and credit card fees, long term interest, insurance, NSGA levies, utilities and property taxes are a selection from many examples of expenditures that are essentially fixed. Salaries and benefits comprised 39% of our operating costs and these were controlled to the extent that circumstances allowed.

Summary

2015 was another challenging year for most golf courses including Avon Valley. The continued drop in membership coupled with the late start and poor early spring weather resulted in lower than anticipated revenues: this shortfall could not be fully replaced by way of pro-shop sales and services and additional green revenue as well as cost-control efforts, resulting in an overall operating loss of \$59,716.

In reviewing the financial statements for the past six years a couple of items stand out. The revenue for the past six years has been declining. The total revenue generated six years ago in 2009 was \$1,228,846 while the total revenue generated in 2015 was \$1,120,133 after deducting the one time insurance proceeds amount of \$129,700 there is a decline of \$108,713 from six years ago. The times of full membership are gone and changes will have to continue to be made if the Club is to remain viable. Expenditures on the other hand have not been flat over the same six year period. They have increased 40,983 or 3.6% from \$1,138,816 in 2009 to \$1,179,799 (net of the insurance building repair) in 2015 over the six year period.

While the shorter season in 2015 contributed to this low increase in expenses over the period they have has been held to less than 1% per year. This in itself is quite remarkable but then consider that the minimum wage was \$8.60/ hr in 2009 rising too \$10.60/ hr in 2015, a 23.3% increase over the six year period. As salaries and benefits comprise 39% of our operating expenses it becomes evident that Brad and his staff have done an excellent job of controlling costs. It also costs real money to maintain the playing quality of the course- so if the membership numbers are not there, then they will have to be replaced by green fees and outside tournaments in order to keep dues at reasonable levels and maintain the high quality of our course to take us to the future.

*Respectively Submitted -
Blaine Rooney, Treasurer
February 29, 2016*

Avon Valley Golf and Country Club
2016 Playing Season Budget

	Proposed						Proposed			2014 Actual	2013 Actual	2012 Actual
	2016 Budget	Food and Beverage	Pro Shop	Membership & Admin	Gas Carts	Grounds	2016 Budget	2015 Actual	2015 Budget			
Revenue												
Sales F&B, Pro Shop & Gas Carts	\$420,000	\$235,000	\$85,000		\$100,000		\$420,000	\$388,997	\$470,000	\$384,709	\$440,711	\$469,409
Pro Shop Services	\$30,000		\$30,000				\$30,000	\$26,311	\$23,000	\$22,712	\$20,363	\$20,765
Membership Dues	\$400,000			\$400,000			\$400,000	\$401,588	\$500,000	\$456,449	\$480,362	\$512,704
Green Fees	\$290,000		\$290,000				\$290,000	\$251,258	\$245,000	\$271,079	\$238,992	\$243,431
Tournaments-External	\$50,000		\$50,000				\$50,000	\$36,003	\$45,000	\$52,928	\$46,317	\$46,414
Advertising , Publicity and Signs	\$10,000			\$10,000			\$10,000	\$9,130	\$5,000	\$11,253	\$4,251	\$4,985
Insurance proceeds							\$0	\$129,700				
Rebates & Other	\$4,000	\$4,000					\$4,000	\$6,846	\$3,000	\$5,390	\$3,098	\$5,512
	<u>\$1,204,000</u>	<u>\$239,000</u>	<u>\$455,000</u>	<u>\$410,000</u>	<u>\$100,000</u>	<u>\$0</u>	<u>\$1,204,000</u>	<u>\$1,249,834</u>	<u>\$1,291,000</u>	<u>\$1,204,520</u>	<u>\$1,234,094</u>	<u>\$1,303,220</u>
Operating Expenses												
Advertising	\$7,000	\$2,333	\$2,333	\$2,333			\$7,000	\$8,589	\$8,000	\$8,196	\$8,371	\$9,376
Administration Services	\$25,000	\$3,125	\$3,125	\$12,500	\$3,125	\$3,125	\$25,000	\$5,834	\$1,000	\$1,321	\$804	\$2,224
Amortization and Depreciation	\$150,000	\$33,700	\$6,200	\$27,400	\$26,500	\$56,200	\$150,000	\$149,963	\$170,000	\$170,216	\$169,173	\$172,953
Audit and Legal	\$7,000	\$1,750	\$1,750	\$1,750		\$1,750	\$7,000	\$6,550	\$7,500	\$6,550	\$7,212	\$6,115
Bank Charges, Point of Sale Expense & Interest	\$17,000	\$2,550	\$4,250	\$8,500	\$1,700		\$17,000	\$21,027	\$19,000	\$19,131	\$19,657	\$19,406
Chemicals and Fertilizer	\$80,000					\$80,000	\$80,000	\$83,632	\$80,000	\$77,763	\$54,948	\$78,905
Computer Maintenance	\$6,000	\$2,000	\$2,000	\$2,000			\$6,000	\$5,389	\$5,500	\$3,544	\$8,060	\$9,454
Committee and Member Services	\$6,000			\$6,000			\$6,000	\$3,055	\$11,500	\$0	\$5,785	\$5,136
Conventions and Seminars	\$1,500					\$1,500	\$1,500	\$3,239	\$2,000	\$4,840	\$3,922	\$4,704
Cost of Goods Sold	\$172,000	\$120,000	\$52,000				\$172,000	\$157,889	\$180,000	\$156,140	\$168,248	\$187,285
Course Maintenance	\$22,000					\$22,000	\$22,000	\$24,123	\$32,500	\$24,965	\$29,539	\$31,576
Insurance	\$14,000	\$1,750	\$1,750	\$7,000		\$3,500	\$14,000	\$15,145	\$13,500	\$11,569	\$13,882	\$14,039
Membership and Licences	\$11,000	\$500		\$9,500		\$1,000	\$11,000	\$10,957	\$13,500	\$12,703	\$13,275	\$13,095
Long Term Interest	\$44,500	\$22,250	\$6,405	\$15,845			\$44,500	\$51,191	\$54,900	\$54,841	\$55,648	\$62,549
Loss on disposal								\$1,233		\$2,424	\$5,594	
Office Supplies	\$7,000	\$250	\$250	\$6,500			\$7,000	\$5,871	\$9,800	\$5,955	\$12,479	\$4,619
Property Taxes	\$30,000	\$10,000	\$2,879	\$7,121		\$10,000	\$30,000	\$28,304	\$28,000	\$27,856	\$26,195	\$24,770
Rentals	\$4,000				\$4,000		\$4,000	\$4,549	\$2,000	\$4,844	\$3,670	\$4,809
Operations and Maintaince	\$77,600	\$8,800	\$3,670	\$6,380	\$14,500	\$44,250	\$77,600	\$75,016	\$74,700	\$86,158	\$57,381	\$60,893
Salaries and Benefits	\$489,000	\$92,055	\$61,816	\$88,034	\$24,225	\$222,870	\$489,000	\$460,944	\$524,500	\$509,274	\$519,201	\$512,428
Scorecards							\$0		\$0	\$0	\$4,402	\$0
Insurance Building Repair								\$129,750				
Travel	\$2,500	\$200		\$2,100		\$200	\$2,500	\$1,528	\$2,500	\$2,579	\$3,058	\$6,005
Utilities	\$50,500	\$17,850	\$5,566	\$12,884	\$600	\$13,600	\$50,500	\$55,771	\$50,600	\$55,281	\$54,085	\$53,557
	<u>\$1,223,600</u>	<u>\$319,113</u>	<u>\$153,993</u>	<u>\$215,848</u>	<u>\$24,225</u>	<u>\$222,870</u>	<u>\$1,223,600</u>	<u>\$1,309,550</u>	<u>\$1,291,000</u>	<u>\$1,246,150</u>	<u>\$1,244,589</u>	<u>\$1,283,898</u>
Net Income	-\$19,600	-\$80,113	\$301,007	\$194,152	\$75,775	-\$222,870	-\$19,600	-\$59,716	\$0	-\$41,630	-\$10,495	\$19,322