KemperSports

February ’22 Client Report

To: Dave Jones, President LFCC
From: Rob Walls
CC: Board of Directors, Morgan Gonzales (KS)
Re: Lincolnshire Fields Country Club

Overview:

February proved to be another poor revenue month for the club. The budget was hyper aggressive on the Food & Beverage side with $43.7k budgeted versus a prior year actual of $26k. February was a cold month, and the club was forced to close on three days during the month due to snow. In addition, expenses were high as we realized expenses relating to Chef Brian’s departure and the interim help we brought in to allow for a smooth transition. Overall EBITDA finished at $11.5k on a budget of $14.8k. For the fiscal year, we currently sit $43.7k ahead of budgeted EBITDA.

Lincolnshire Fields
Standard Summary Income Statement
For the Four Months Ending February 28, 2022

Actual	MTD Budget	% of Budget	MTD Prior Year	% of PY		Actual	YTD Budget	% of Budget	YTD Prior Year	% of PY	Annual Budget	Rolling 12 Months
					REVENUES							
0	0	0%	0	0%	Green Fees & Cart Fees	4,767	10,190	47%	10,648	45%	283,871	285,036
1,896	4,000	47%	2,532	75%	Merchandise	16,426	17,300	95%	17,496	94%	212,300	211,606
0	0	0%	0	0%	Other Pro Shop	849	0	0%	1,229	69%	0	7,521
0	0	0%	0	0%	Range	0	0	0%	0	0%	0	275
17,855	43,721	41%	25,986	69%	Food and Beverage	148,178	141,921	104%	106,406	139%	763,236	760,997
141,353	142,290	99%	134,337	105%	Membership Dues	561,790	571,042	98%	518,747	108%	1,746,301	1,664,508
0	0	0%	14,000	0%	Membership Initiation Fees	6,050	24,000	25%	18,000	34%	127,000	100,650
0	0	0%	0	0%	Other Operating Revenues	0	0	0%	0	0%	23,600	27,886
138	0	0%	(306)	-45%	Other G&A Income	443	0	0%	386	115%	0	8,249
161,242	**190,011**	**85%**	**176,549**	**91%**	**TOTAL REVENUE**	**738,502**	**764,453**	**97%**	**672,911**	**110%**	**3,156,307**	**3,066,729**
					COST OF SALES							
1,088	2,800	39%	2,043	53%	Merchandise	13,453	13,886	97%	14,682	92%	162,523	163,246
8,700	17,682	49%	10,153	86%	Food & Beverage	54,092	61,983	87%	41,717	130%	298,978	270,859
9,787	**20,482**	**48%**	**12,195**	**80%**	**TOTAL COGS**	**67,544**	**75,868**	**89%**	**56,400**	**120%**	**461,500**	**434,105**
57.4%	**70.0%**	**82.0%**	**80.7%**	**71.1%**	**COGS - Merchandise %**	**81.9%**	**80.3%**	**102.0%**	**83.9%**	**97.6%**	**76.6%**	**907.6%**
49.0%	**40.4%**	**121.3%**	**39.4%**	**124.4%**	**COGS - Food %**	**42.0%**	**43.7%**	**96.2%**	**43.2%**	**97.2%**	**39.2%**	**485.0%**
					PAYROLL							
27,699	25,986	107%	22,164	125%	Course and Grounds	107,462	113,944	94%	108,990	99%	518,260	448,967
4,077	9,909	41%	9,173	44%	Pro Shop	31,403	38,778	81%	37,555	84%	165,633	140,512
32,038	39,022	82%	25,936	124%	Food and Beverage	150,104	159,733	94%	115,676	130%	577,049	549,427
0	0	0%	0	0%	Other Operating Departments	46	0	0%	0	0%	75,081	71,397
12,344	19,143	64%	17,103	72%	General and Administrative	56,224	79,890	70%	79,871	70%	250,436	228,119
76,157	**94,060**	**81%**	**74,376**	**102%**	**TOTAL PAYROLL**	**345,239**	**392,344**	**88%**	**342,092**	**101%**	**1,586,459**	**1,438,422**
					OPERATING EXPENSES							
5,214	5,585	93%	3,906	133%	Course and Grounds	24,697	27,115	91%	25,086	98%	294,791	295,998
1,731	1,731	100%	1,731	100%	Carts, Range, Starters, Etc.	6,924	6,924	100%	6,924	100%	26,582	28,100
1,251	751	167%	405	309%	Pro Shop	3,080	1,487	207%	4,060	76%	10,180	11,269
11,735	6,135	191%	7,260	162%	Food and Beverage	30,350	23,955	127%	21,855	139%	109,196	102,505
57	80	71%	0	0%	Other Operating Departments	494	570	87%	(159)	-311%	23,149	23,178
43,816	46,354	95%	38,492	114%	General and Administrative	185,201	204,877	90%	161,317	115%	623,731	598,162
63,803	**60,635**	**105%**	**51,794**	**123%**	**TOTAL OPERATING EXPENSES**	**250,745**	**264,928**	**95%**	**219,083**	**114%**	**1,087,630**	**1,059,212**
149,748	**175,177**	**85%**	**138,366**	**108%**	**TOTAL EXPENSES**	**663,528**	**733,141**	**91%**	**617,575**	**107%**	**3,135,589**	**2,931,739**
11,494	**14,834**	**77%**	**38,183**	**30%**	**EBITDA**	**74,974**	**31,312**	**239%**	**55,336**	**135%**	**20,718**	**134,990**
					FINANCING ACITIVITY							
(5,545)	(9,575)	58%	(5,861)	95%	Interest Expense - Debt	(21,475)	(38,300)	56%	(23,992)	90%	(114,900)	(64,862)
(1,277)	0	0%	(1,867)	68%	Interest Expense - Leases	(5,370)	0	0%	(5,825)	92%	0	(19,867)
73	0	0%	55	132%	Interest Income	254	0	0%	149	170%	0	707
(6,749)	**(9,575)**	**70%**	**(7,673)**	**88%**	**TOTAL FINANCING ACTIVITY**	**(26,591)**	**(38,300)**	**69%**	**(29,668)**	**90%**	**(114,900)**	**(84,022)**
					OTHER INCOME (EXPENSE)							
46,555	46,966	99%	44,351	105%	Dues - Capital Improvement	186,003	187,208	99%	174,973	106%	572,348	552,794
0	0	0%	106,682	0%	Operating Assessments	0	0	0%	106,682	0%	0	0
(34,095)	(36,217)	94%	(34,492)	99%	Depreciation & Amortization	(136,379)	(139,692)	98%	(137,967)	99%	(429,428)	(431,128)
0	0	0%	0	0%	Gain/(Loss) On Disposal Of Assets	6,670	0	0%	0	0%	0	8,170
0	0	0%	0	0%	Other Expenses / Capital Reserve / Impairment	(2,520)	0	0%	0	0%	0	18,072
12,460	**10,749**	**116%**	**116,541**	**11%**	**TOTAL OTHER INCOME (EXPENSE)**	**53,774**	**47,516**	**113%**	**143,688**	**37%**	**142,920**	**147,908**
17,205	**16,008**	**107%**	**147,051**	**12%**	**NET INCOME**	**102,157**	**40,528**	**252%**	**169,356**	**60%**	**48,738**	**198,875**
0	0	0%	0	0%	Paid Rounds	57	120	48%	126	45%	2,386	2,560
0	0	0%	0	0%	Member Rounds	447	900	50%	885	51%	15,810	13,904
0	0	0%	0	0%	Other Rounds	4	0	0%	0	0%	0	33
0	0	0%	0	0%	Total Rounds	508	1,020	50%	1,011	50%	18,196	16,497
0	0	0%	0	0%	Revenue/Paid Rounds	12,956	6,370	203%	5,341	243%	1,323	29,316
0	0	0%	0	0%	Revenue/Total Rounds	1,454	749	194%	666	218%	173	3,281
0	0	0%	0	0%	Green Fees / Cart Fees per Paid Rounds	84	85	98%	85	99%	119	1,173
0	0	0%	0	0%	Green Fees / Cart Fees per Total Rounds	9	10	94%	11	89%	16	155
0	0	0%	0	0%	F&B Revenue/Total Rounds	292	139	210%	105	277%	42	860
0	0	0%	0	0%	Merchandise Revenue/Total Rounds	32	17	191%	17	187%	12	173

Financial Performance:

Revenues:

February revenues finished far behind budget with totals of $161k versus a budget of $190k and prior year actuals of $176.5k. While there were no membership additions in February, a promotion was approved, and several memberships should be added in March. The dues line continues to miss by approximately 1%. With some member adds in March and April, we should start to make up some ground. For the year, the dues line is approximately, $10k behind budget.

The largest revenue miss was again in Food & Beverage. Heavy snow and difficult road conditions caused the Club to close on three different occasions in February. These closures were in addition to limited days and hours of operation. The budget was aggressive with a 46% increase versus prior year. The cold weather, limited hours of operation, and lack of programming due to uncertainty in our staffing situation contributed to this miss. The month of March will see a new menu, more aggrerssive event marketing, and warmer weather. We are hoping to be back on track and start gaining ground.

There were no rounds of golf in February as we had consistent ground freeze throughout the month. Merchandise sales finished at $1.9k on a budget of $4k. The department saw the final special-order sales from this past year realized. With snow on the ground, little traffic, and low inventory, our out-of-shop sales continue to be slow. There are some new arrivals coming in March and April and golf season is right around the corner.

Through the first quarter of the fiscal year, revenues are now trailing budget by $26k while outpacing prior year by $65.5k (9.7%).

Payroll:

Payroll provided the largest savings for the month. As stated earlier, we were forced to close for an additonal three days with already limited hours of operation. The team finished the month at roughly $76.2k on a budget of $94k. This $18k savings helped to offset the revenue miss.

The largest savings came in Food & Beverage which operated 18% under budget for the month. There were additional savings in Golf, as I have moved into my new role, and Administration, as we continued to operate without a Membership & Marketing Director or a Controller. The Course & Grounds payroll was over budget by $1.5k. This is attributed to late termination of employees. While most of these staffers stopped working in December, they were kept on payroll through the holidays for bonuses. When they were terminated in February, we paid out all vacation hours which was unbudgeted.

For the fiscal year, the club is 12% below budget in payroll, saving approximately $47k. February was a transitionary month at LFCC. We hired a new chef in Adam Shallenberger and a Clubhouse Manager in Ted Ralph. With these key new hires and the shift in responsibilities and roles for a few positions, budget numbers will be flexible. Certain departments will run significantly under budget while other may run over. We will be monitoring the overall payroll numbers to insure we operate under budget monthly.

Expenses:

Total expenses finished the month over budget by $3k. OPEX were $63.8k versus a budget of $60.6k. The main driver of this miss was Food & Beverage as we incurred significant outside service costs for the Interim Chef ($6.5k) in addition to expenses incurred during the Executive Chef search. As discussed last month, we were billed late for our contract cleaning service and this month's expense was doubled. Other expense drivers included computer supplies and building maintenance repairs. To give Chef a fresh start, we had some lighting work completed in the kitchen, had an ice machine repaired, and were forced to drain the septic tank.

We are still seeing some artificial savings versus budget because we have not been billed for the annual audit. This work is still in progress and should be finalized in March. In addition, our CLA accounting bill was not received until February was closed so we will see expenses for multiple months in March. These expenses should be accrued for in the future as they are recurring and anticipated.

Cost of Goods were low in Golf as we started receiving inventory and utilizing early pay discounts. The department should run lower over the next several months as inventory continues to roll in. Food & Beverage COGS were higher than budget as we continued to clean out freezers and aged inventory. Chef Adam is much more confident in the inventory position as March starts. He is ready to launch a new menu in March.

Summary:

Despite a significant revenue miss in Food & Beverage, the Club operated within $3.3k of budget EBITDA in February. For the year, EBITDA is $75k on a budget of $31.3k. Warm weather and golf season as right around the corner, and we have a solid team in place after a transitionary period. We are in a great position to drive revenues while continuing to operate efficiently.

Our focus is always to build membership while preventing attrition. A membership promotion put in place at the end of February should help drive new membership. There is still strong interest in the club with inquiries daily. An improved Food & Beverage operation, a clean and fresh Clubhouse, and new, creative programming will help with attrition.

Key Performance Highlights:

- Total revenues $161k on budget of $190k and prior year of $176.5k.
- Dues finished at $141.3k on a budget of $142.3k, a miss of 1%. The dues line is currently $7k higher than prior year. Membership sales success will be important in March as we need to start making up ground with our YTD totals lagging.
- Payroll was under budget by $18k in February.
- OPEX were $3k over budget with some artificial savings built in.
- COS finished at 57.4% for merchandise on budget of 70% and prior year of 80.7% and Food and Beverage finished at 49% on budget of 40.4% and prior year of 39.4%.
- Ted Ralph started as our Clubhouse Manager and Adam Shallenberger started as our Executive Chef mid-month.
  - They have both hit the ground running with a focus on cleanliness and efficient operation.
  - Both are evaluating our current teams. We have some restructure ideas for March.

Key Performance Issues:

- Weather was a significant factor in February as we were forced to close operations on three different occasions due to snow/unsafe driving conditions.
- High OPEX driven by Interim Chef, Executive Chef search, and building maintenance.
- We continue to operate without a Controller or Sale & Marketing position.
  - These positions were budgeted, but we are no currently seeking applicants.
  - CLA is contracted to help with financials and month end procedures.
- Lack of membership incentive led to zero membership sales in February.

Key Actions to Drive Performance:

- Full programming and reimagined concepts on the Food & Beverage side will begin in March.
- Kids Eat Free continues to drive crowds on Wednesday evenings.
- Ted Ralph & Adam Shallenberger will continue to evaluate the Food & Beverage operation.
  - Cohesive vision and more direct oversight.
- Golf has continued to book golf outings with eight now confirmed and on the calendar.
- The Golf Shop & Women's Locker Room have been painted and a new bag storage area has been created.
  - New look and feel to the spaces.
  - We are hoping to have a downstairs refresh by the end of April.
- Grounds is working on a plan to improve water management techniques and bunker maintenance to improve overall playability for the 2022 season.

Grounds Recap Feb:
February included much winter weather and no opportunities to open the golf course.

Grounds notes for Feb:
The grounds staff was able to continue some progress on tree removals and tree trimming during the month, with most other work being done in the shop.
The big news for our staff was the successful hiring of John Chitwood as the new Equipment Manager, a position that has been vacant since July. John has a background in auto mechanical work as well as serving in the same role for a local Landscape Maintenance company. John will be working to pick up the specialized reel maintenance skills that are required for the golf industry.
The grounds budget continues within projections year to date. February expenses were a little high as some seasonal staff vacation payouts in payroll were timed differently than we had planned. Due to continued supply chain issues that will delay the delivery of several new equipment items, we will incur some additional equipment repair expense in operations, as we now will have to prepare some of the older items that were planned to be replaced for another golf season. The same delays will create considerable savings in the Capital budget for 2022.

Grounds projects during Feb:
Assisted contractor with several tree removals around the course.
Continued limbing-up and other pruning of many trees on holes 16-18.
Performed snow/ice removal after several winter weather events.
Continued indoor work on course accessories.
Assisted new equipment manager with getting his tools and equipment installed in the shop.
Assisted new equipment manager in catching up with much delayed service and maintenance on equipment fleet.

Feb Photos:


Winter continued!