1st QTR Budget Observations

Description

Lloyd Sherman – 4/16/2019

I provide the following only as observations from the budget package released for the 1^{st} quarter of 2019. This is a cursory review as the package was delivered late. No observations can yet be made from the audited financials for 2018 as they have not been posted as of this writing. *Keep in mind that observations are based on actuals compared to budget and do not account for seasonal peaks or lows (straight 12-month projections).*

Financial Summary – Page 2

Accounts Receivable – Assessments received as well as assessments and penalties billed are both up slightly over the same period for 2018. Although not significant, is could indicate a small positive trend.

Note that total **POA owned lots** increased another 25 over last month and now sits at 3,433.

Golf Revenue – Page 4

All metrics are down which should be expected but revenue is down $113.98 a DAY over last year at this same point. More on this later in the Comparative Statements.

Capital Budget Rollover – Page 6

This may be standard as I didn't have time to research it, but seven (7) items have been added to the list from last month's list totaling an additional $251,900.

Food & Beverage – Page 7

Reporting COGS and if this is food cost, the industry benchmark for food costs is 28-32%. The only operation that comes close is Waypoint.

Labor costs have an industry benchmark of 30-35% and only the bar operations fall under those guidelines.

Having experience in consulting several restaurants during my career, I can tell you that most restaurants operate on very thin margins and none of these operations can ever make money with these types of costs.

Financial Position – Page 9

The true test of exactly how we are doing with our reserves/cash position lies in cash and cash equivalents. Current financials continue to show that we have drained this position by an overall $1,293,284. If this number happens to go up next month as a result of the amounts being added to reserves, it may not be an issue.

Comparative Statements of Revenues & Expenses – Page 10

Provision for Future Bad Debt – Based on 1st qtr results and projected through year-end, our current run rate shows that bad debt will increase $3,871,128 or $816,128 more than budgeted and almost $300,000 more than 2018.

Food & Beverage

Budget for the year is $1,360,831. Current run rate shows the revenue projected at $831,652 or $529,179 short of budget. Cost however are running below budget by $261,227 resulting in a projected loss of $267,952.

Golf

Results thus far this year are not promising. We are currently $71,687 behind where we were at this same period last year. Although we know revenue will pick up in the warmer months, the current straight-line projection shows that we will miss the golf revenue budget by $3,979,747. (*Once again, I point out that this is not an alarm bell yet as revenues will pick up over the spring, summer and fall, but needs to be watched closely to ensure this trend does not continue).* On the cost side is some good news in that costs are running behind where they were last year and if this trend also continued, the costs would be $1,813,492 below budget. However, it would still result in a $2.1 million-dollar loss.

Gross Revenue/Expense

Again, on a straight-line basis, our current results project our year-end revenues at $29,388,580 against a budget of $39,571,375. Expenses against budget are currently being controlled and currently reflect a projection of being $26,056,828 against a budget of $32,590,870.

Summary

Lloyd Sherman poses with his beautiful wife Linda

As I stated early on in this document, seasonal golf and summer visitors will most likely alter the revenue projection and costs against budget are being reasonably controlled. However, with what appears to be a larger than budgeted bad debt expense, along with a projection of missing a revenue plan by $10 million at the gross revenue line, it simply points out that this needs to be closely watched. With budget changes now resulting in a supermajority required to change it, even more diligence will need to be paid to actuals against budget. This budget analysis also points out the need for budgets to be set up to accommodate revenue recognition on a seasonal basis for tracking purposes.

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Category

1. Uncategorised

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