

## Appendix 2

### Tennis Program Profit & Loss Explanations 2008 – 2012

**Please read this document in conjunction with the tennis P&L worksheet attached in the financial projection packet.**

The Tennis Program Profit and Loss was built based on extensive research which included discussions with a number of pros from other indoor tennis clubs in the area, analysis of prior year records of the Meadows Club and the Director of Tennis, and the recent growth in tennis at Meadows Club and in Boulder County.

In order to fully understand the Tennis Program Profit and Loss Projections for 2008 – 2010, it is important to know that prior to 2008, the tennis program was contracted out to Tennis Pros and all tennis revenue and expenses were recorded on the Tennis Pro's business records. The Tennis Pro paid Meadows Club 5% of the gross revenue earned by teaching lessons and clinics at Meadows Club. Therefore, the Actual Profit and Loss for the years 2005 – 2007 Statement reflects only the 5% of gross tennis revenue that the Tennis Pro paid Meadows Club plus ball machine revenue. Starting in 2008, the Tennis Program at Meadows Club was brought in-house. Meadows Club now bills all Tennis Program revenue and pays tennis program expenses. In order to properly portray the base year 2007 for our Tennis Program Financial Projections, we have received permission from our Tennis Pro to extrapolate the detail of his 2007 gross revenue and expenses generated at Meadows Club and this is shown in the first column of the Tennis Program Profit and Loss Projections for 2008 – 2010. In this way, our comparisons for Tennis Program Revenue and Expense are on an apples and apples basis.

The second column of the Tennis Program Profit and Loss Projections for 2008 – 2010 Statement shows revenue and expenses booked through June 30, 2008. Based upon the actual numbers, we are on track to achieve the 2008 total projected revenue and do not expect to exceed 2008 projected expenses. Major detailed assumptions for 2008 – 2010 revenues and expenses are listed below.

#### **REVENUE**

Our research indicates that Harvest House brought in \$300,000 in lesson revenue alone in 2007. The revenue projections for Meadows in this proposal are much lower at \$218,257 for 2010. That excludes tournaments, court rental, and social events which are substantial sources of revenue. The Harvest House junior program is 25% smaller than Meadows and they utilize the same number of teaching courts and hours available for adult clinics utilized in the Meadows projections. Additionally, as of June 30, 2008, we have already achieved 83% of the total 2008 projected tennis revenue. We believe these data points indicate that the following projections for Meadows Club are all very conservative and there is considerable upside potential.

#### ***Adult Clinic Fees***

**2008 (\$30,240):** 2008 clinic revenue is tracking on par with 2007: 112 members in clinics each week times \$15/member over 18 weeks.

**2009 (\$82,080):** This revenue is based on the presumption that the new facility will be available March 1, 2009: 38 weeks teaching 120 members per week or four 4 person clinics per day at an average \$18/player. ( $38 * 120 * \$18 = \$82,080$ ) Lessons taught during the winter will be slightly

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higher per player to offset the facility cost. This is comparable with what other indoor facilities charge.

**2010 (\$115,200):** This revenue growth is due to the facility being available 12 months of the year. We have kept the usage conservative at only 48 weeks teaching 120 members per week or five 4 person clinics per day at an average \$20/player. ( $48 * 120 * \$20 = \$115,200$ ) With the facility being open year round, more indoor clinics will increase the average amount collected for clinics over the course of the year.

### *Adult League Fees*

**2008 (\$15,300):** Adult league fees average \$34 per participant and we currently have 450 participants at Meadows Club.

**2009 (\$16,704):** The increase reflects a slight increase in participation and a slight increase in fees charged to keep up with assumed increases from the USTA and CTA.

**2010 (\$17,632):** Same explanation as for 2009.

### *Adult Private Lesson Fees*

**2008 (\$7,590):** 138 private lessons at an average of \$55/lesson.

**2009 (\$12,155):** The increase reflects a growth in lessons due to usage of the indoor tennis facility beginning in March of 2009.

**2010 (\$13,365):** The increase reflects growth due to lessons taught throughout the year.

### *Junior Lesson Fees*

**2008 (\$1,520):** 38 private lessons at an average of \$40 per lesson. The reduction from 2007 is due to accounting for Junior team clinics which are included in Junior Team Fees beginning in 2008.

**2009 (\$2,205):** The increase over 2008 reflects lessons in fall and winter on the indoor courts.

**2010 (\$3,105):** The increase over 2009 reflects lessons taught throughout the year.

### *Junior Clinics (non-team)*

**2008 (\$3,200):** The reduction from 2007 reflects the increase in juniors now participating in Junior Team tennis. This reflects 20 non-team participants for 10 weeks at an average of \$16 per clinic.

**2009 (\$3,600 plus \$16,200):** A continuation of clinics for Juniors not participating in Team tennis in the summer plus the introduction of spring and fall 8 week after school clinic sessions for juniors.

**2010 (\$3,800 plus \$25,200):** A slight increase in participation in the programs from 2009 plus the addition of a winter 8 week session.

### *Junior Team Fees*

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**2008 (\$38,645):** 131 participants at \$295 per child. Meadows Club realized a 50 person growth in 2008 over 2007.

**2009 (\$39,300):** Slight increase over 2008.

**2010 (\$39,955):** Slight increase over 2009.

**Tennis Revenue for 2011 and 2012:** Simply assumed to increase 5%/year.

### **EXPENSES**

#### ***USTA and CTA Registration***

**2008 (\$12,332):** Adult fees average \$21 per participant and Junior Fees average \$22 per participant.

**2009 (\$13,221):** Increase over 2008 is in line with league registration growth and anticipates a slight increase in fees from the USTA and CTA.

**2010 (\$14,411):** Same explanation as for 2009 above.

#### ***Staff Payroll Expenses and Contract Tennis Pros:***

**2008 (\$70,097):** Salaries for Tennis Director, Tennis Coordinator, 3 part time tennis assistants for the junior program in the summer and Contract Tennis Pros earning an average of 70% of revenue directly tied to their clinics and lessons taught.

**2009 (\$124,174):** Increase primarily reflects the growth due to increased tennis programs using the indoor facility beginning in March 2009.

**2010 (\$143,113):** Increase primarily reflects the growth due to increased tennis programs using the indoor facility throughout the year.

**Tennis Expense for 2011 and 2012:** Total Tennis Expense combined is simply assumed to increase 5%/year.