

# HARBOR TERRACE RESTAURANT



## Financial Analysis

# HARBOR TERRACE RESTAURANT

## Revenue and Gross Profits

|                            | 2016           | 2017           | 2018           | 2019           | 2020                  | Percentage of Total Revenue |             |             |             |             |
|----------------------------|----------------|----------------|----------------|----------------|-----------------------|-----------------------------|-------------|-------------|-------------|-------------|
|                            | ACTUAL         | ACTUAL         | ACTUAL         | ACTUAL         | ACTUAL<br>YTD - APRIL | 2016                        | 2017        | 2018        | 2019        | 2020        |
| <b>Revenue</b>             |                |                |                |                |                       |                             |             |             |             |             |
| Sales                      | 517,909        | 441,001        | 378,987        | 380,320        | 107,020               | 99%                         | 94%         | 86%         | 91%         | 84%         |
| Exempt Sales               | 3,359          | 27,064         | 64,228         | 37,287         | 19,651                | 1%                          | 6%          | 15%         | 9%          | 15%         |
| Refunds                    | (218)          | (350)          | (972)          | (350)          | 0                     | 0%                          | 0%          | 0%          | 0%          | 0%          |
| Interest Income            | 0              | 0              | 0              | 0              | 0                     | 0%                          | 0%          | 0%          | 0%          | 0%          |
| Miscellaneous Income       | 363            | 354            | 301            | 360            | 116                   | 0%                          | 0%          | 0%          | 0%          | 0%          |
| <b>Total Revenue</b>       | <b>521,413</b> | <b>468,069</b> | <b>442,544</b> | <b>417,617</b> | <b>126,787</b>        | <b>100%</b>                 | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |
| <b>Cost of Sales</b>       |                |                |                |                |                       |                             |             |             |             |             |
| Beginning Inventory        | -              | -              | -              | -              | -                     | 0%                          | 0%          | 0%          | 0%          | 0%          |
| Purchases - Food           | 89,614         | 75,108         | 71,444         | 63,052         | 16,107                | 17%                         | 16%         | 16%         | 15%         | 13%         |
| Purchases - Alcohol        | 45,433         | 38,823         | 35,219         | 35,489         | 11,299                | 9%                          | 8%          | 8%          | 8%          | 9%          |
| Less Ending Inventory      | -              | -              | -              | -              | -                     | 0%                          | 0%          | 0%          | 0%          | 0%          |
| <b>Total Cost of Sales</b> | <b>135,047</b> | <b>113,931</b> | <b>106,664</b> | <b>98,541</b>  | <b>27,406</b>         | <b>26%</b>                  | <b>24%</b>  | <b>24%</b>  | <b>24%</b>  | <b>22%</b>  |
| Gross Profit               | 386,366        | 354,139        | 335,880        | 319,077        | 99,382                | 74%                         | 76%         | 76%         | 76%         | 78%         |

See notes analysis on next page

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## Overview

- Over the last four years, total revenue has steadily decreased overall. However between FY 2018 and FY 2019 the restaurant experienced a slight increase in taxable sales of .35%.
- Tax exempt sales would include items such as gratuity.
- Cost of sales (COS) has appropriately decreased with total revenue, maintaining a ratio of ~24% of total revenue; which is considered reasonable.
- Gross profit ratios have remained relatively constant between years
- Although revenues have been declining, operating expenses (non inclusive of COS) ratio has been increasing over the last four years.
- The major cost drivers for operating expenses include payroll and rent.

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## Operating Expenses

|                                 | 2016           | 2017           | 2018           | 2019           | 2020*               | Percentage of Total Revenue |              |              |              |              |
|---------------------------------|----------------|----------------|----------------|----------------|---------------------|-----------------------------|--------------|--------------|--------------|--------------|
|                                 | ACTUAL         | ACTUAL         | ACTUAL         | ACTUAL         | ACTUAL YTD<br>APRIL | 2016                        | 2017         | 2018         | 2019         | 2020         |
| <b>Operating Expenses</b>       |                |                |                |                |                     |                             |              |              |              |              |
| Annual Report                   | 150            | 150            | 150            | 150            | 150                 | 0.0%                        | 0.0%         | 0.0%         | 0.0%         | 0.1%         |
| Depreciation Expense            | 4,227          | 294            |                | 3,767          |                     | 0.8%                        | 0.1%         | 0.0%         | 0.9%         | 0.0%         |
| Donations                       | 290            | 171            | 1,894          | 1,450          |                     | 0.1%                        | 0.0%         | 0.4%         | 0.3%         | 0.0%         |
| Accounting                      | 3,395          | 3,780          | 3,590          | 3,390          | 600                 | 0.7%                        | 0.8%         | 0.8%         | 0.8%         | 0.5%         |
| Advertising                     | 5,583          | 6,342          | 6,526          | 7,885          | 2,763               | 1.1%                        | 1.4%         | 1.5%         | 1.9%         | 2.2%         |
| Credit Card Charges             | 11,498         | 8,444          | 8,788          | 9,269          | 3,181               | 2.2%                        | 1.8%         | 2.0%         | 2.2%         | 2.5%         |
| Bank Service Charges            | 157            | 362            | 372            | 396            | 140                 | 0.0%                        | 0.1%         | 0.1%         | 0.1%         | 0.1%         |
| Automobile Expenses             | 762            | 317            | 1,114          | 1,996          |                     | 0.1%                        | 0.1%         | 0.3%         | 0.5%         | 0.0%         |
| Entertainment                   | 3,490          |                |                |                |                     | 0.7%                        | 0.0%         | 0.0%         | 0.0%         | 0.0%         |
| Equipment Rental                | 1,421          | 384            | 1,287          | 350            |                     | 0.3%                        | 0.1%         | 0.3%         | 0.1%         | 0.0%         |
| NSF Checks                      |                |                | 2,082          | 6              |                     | 0.0%                        | 0.0%         | 0.5%         | 0.0%         | 0.0%         |
| Dues & Subscriptions            | 884            | 733            | 1,038          | 739            | 205                 | 0.2%                        | 0.2%         | 0.2%         | 0.2%         | 0.2%         |
| Licenses                        | 2,364          | 2,281          | 2,364          | 3,180          |                     | 0.5%                        | 0.5%         | 0.5%         | 0.8%         | 0.0%         |
| Insurance                       | 13,830         | 12,195         | 11,925         | 10,741         | 2,512               | 2.7%                        | 2.6%         | 2.7%         | 2.6%         | 2.0%         |
| Interest                        | 584            | 1,553          | 2,254          | 5,059          | 1,784               | 0.1%                        | 0.3%         | 0.5%         | 1.2%         | 1.4%         |
| Laundry & cleaning              | 1,679          | 2,463          | 2,290          | 4,891          | 886                 | 0.3%                        | 0.5%         | 0.5%         | 1.2%         | 0.7%         |
| Legal & Professional            | 200            |                | 445            |                |                     | 0.0%                        | 0.0%         | 0.1%         | 0.0%         | 0.0%         |
| Office Supplies                 | 324            | 946            | 1,334          | 1,111          | 126                 | 0.1%                        | 0.2%         | 0.3%         | 0.3%         | 0.1%         |
| Rent                            | 84,736         | 91,291         | 76,955         | 83,460         | 20,865              | 16.3%                       | 19.5%        | 17.4%        | 20.0%        | 16.5%        |
| Repairs & Maintenance           | 7,033          | 4,773          | 2,015          | 3,587          | 1,041               | 1.3%                        | 1.0%         | 0.5%         | 0.9%         | 0.8%         |
| Operating Supplies              | 5,239          | 4,811          | 6,767          | 8,994          | 3,076               | 1.0%                        | 1.0%         | 1.5%         | 2.2%         | 2.4%         |
| Taxes - FICA                    | 15,246         | 15,408         | 16,351         | 15,778         | 5,510               | 2.9%                        | 3.3%         | 3.7%         | 3.8%         | 4.3%         |
| Telephone                       | 4,914          | 5,558          | 6,182          | 7,189          | 2,068               | 0.9%                        | 1.2%         | 1.4%         | 1.7%         | 1.6%         |
| Utilities                       | 7,403          | 6,457          | 5,826          | 4,832          | 1,540               | 1.4%                        | 1.4%         | 1.3%         | 1.2%         | 1.2%         |
| Salaries & Wages                | 157,440        | 159,369        | 179,991        | 172,636        | 58,876              | 30.2%                       | 34.0%        | 40.7%        | 41.3%        | 46.4%        |
| Taxes - FUTA                    | 562            | 585            | 443            | 424            | 356                 | 0.1%                        | 0.1%         | 0.1%         | 0.1%         | 0.3%         |
| Taxes - SUTA                    | 335            | 307            | 149            | 80             | 8                   | 0.1%                        | 0.1%         | 0.0%         | 0.0%         | 0.0%         |
| Taxes - Other                   |                | 120            |                |                |                     | 0.0%                        | 0.0%         | 0.0%         | 0.0%         | 0.0%         |
| Live Entertainment              | 1,500          | 2,335          | 3,585          | 1,335          |                     | 0.3%                        | 0.5%         | 0.8%         | 0.3%         | 0.0%         |
| Tolls                           | 200            | 50             | 155            | 134            |                     | 0.0%                        | 0.0%         | 0.0%         | 0.0%         | 0.0%         |
| Uniforms                        |                |                |                | 83             | 89                  | 0.0%                        | 0.0%         | 0.0%         | 0.0%         | 0.1%         |
| Continued Education             |                |                |                | 305            |                     | 0.0%                        | 0.0%         | 0.0%         | 0.1%         | 0.0%         |
| <b>Total Operating Expenses</b> | <b>335,447</b> | <b>331,481</b> | <b>345,872</b> | <b>353,217</b> | <b>105,775</b>      | <b>64.3%</b>                | <b>70.8%</b> | <b>78.2%</b> | <b>84.6%</b> | <b>83.4%</b> |
| Net Operating Income (Loss)     | 50,920         | 22,657         | (9,992)        | (34,140)       | (6,393)             | 10%                         | 5%           | -2%          | 8%           | -5%          |

FY 2020 Does not reflect the receipt of PPP Loan of ~ \$40,000

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## Major Operating Expenses

- Rent reflects an increase of 4% from 2016 to 2019. Rent is assessed at a flat amount - \$6,500 per month - and then a % of sales, therefore if sales decreases then rent decreases
- Salaries & wages increased 11% from 2016 to 2019.
- As of April 2020, rent has decreased while salaries & wages increased.

|                    | 2016           | 2017           | 2018           | 2019           | 2020           | Percentage of Total Revenue |            |            |            |            |
|--------------------|----------------|----------------|----------------|----------------|----------------|-----------------------------|------------|------------|------------|------------|
|                    | ACTUAL         | ACTUAL         | ACTUAL         | ACTUAL         | ACTUAL         | 2016                        | 2017       | 2018       | 2019       | 2020       |
| Rent               | 84,736         | 91,291         | 76,955         | 83,460         | 20,865         | 16%                         | 20%        | 17%        | 20%        | 16%        |
| Salaries & Wages   | 157,440        | 159,369        | 179,991        | 172,636        | 58,876         | 30%                         | 34%        | 41%        | 41%        | 46%        |
| All Other Expenses | 93,270         | 80,821         | 88,926         | 97,121         | 26,034         | 18%                         | 17%        | 20%        | 23%        | 21%        |
| <b>Total</b>       | <b>335,447</b> | <b>331,481</b> | <b>345,872</b> | <b>353,217</b> | <b>105,775</b> | <b>64%</b>                  | <b>71%</b> | <b>78%</b> | <b>85%</b> | <b>83%</b> |

# HARBOR TERRACE RESTAURANT

## Salary & Wages Analysis

- In 2019, 46% of revenue was used to cover total salaries and wages.

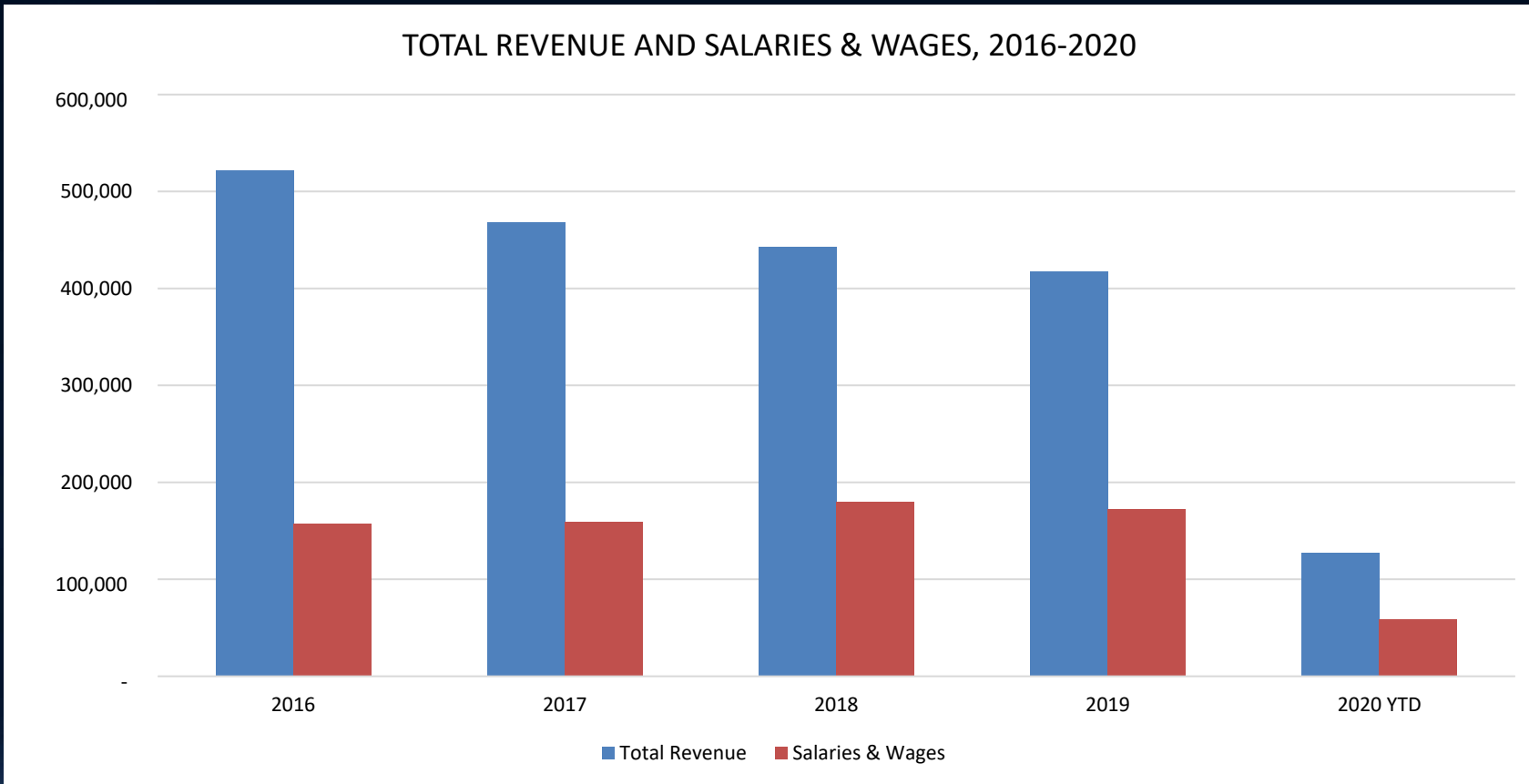
|                                     | 2016<br>ACTUAL | 2017<br>ACTUAL | 2018<br>ACTUAL | 2019<br>ACTUAL | 2020<br>ACTUAL<br>YTD - APRIL |
|-------------------------------------|----------------|----------------|----------------|----------------|-------------------------------|
| Total Revenues                      | 521,413        | 468,069        | 442,544        | 417,617        | 126,787                       |
| Salary & Wages                      | 157,440        | 159,369        | 179,991        | 172,636        | 58,876                        |
| Salaries & Wages as a % of Revenues | 30%            | 34%            | 41%            | 41%            | 46%                           |

- 35% covered salaried employees.

| Fulltime salary, 2019 | per week | total 52 wks | % of Revenue |
|-----------------------|----------|--------------|--------------|
| 1. Manager            | 375      | 19,500       | 5%           |
| 2. Floor manager      | 375      | 19,500       | 5%           |
| 3. Cook               | 1,150    | 59,800       | 14%          |
| 4. Event Coordinator  | 850      | 44,200       | 11%          |
| Total                 | 2,750    | 143,000      | 34%          |

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## Salary & Wages Analysis



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## Salary & Wages Analysis

- In 2019, the number of employees was the same as 2016.
- However, the wages increased 10%.

| Key Ratios                  | 2016   | 2017   | 2018   | 2019   | 2020* |
|-----------------------------|--------|--------|--------|--------|-------|
| # of Employees              | 26     | 41     | 23     | 26     | 26    |
| Revenue per Employee        | 20,054 | 11,416 | 19,241 | 16,062 | 4,876 |
| Wages/Revenue               | 30.2%  | 34.0%  | 40.7%  | 41.3%  | 46.4% |
| Average Wage Per Employee   | 6,055  | 3,887  | 7,826  | 6,640  | 2,264 |
| Average Wage as a % of 2016 | 100%   | 64%    | 129%   | 110%   | 37%   |
| Profit Margin               | 10%    | 5%     | -2%    | -8%    | -5%   |

\*Number of employees for 2020 assumed to remain the same from 2019.



# HARBOR TERRACE RESTAURANT

## Control Labor Costs

- Labor remains a necessary component to the day-to-day operations of the restaurant. However, in this case the operating losses are primarily due to increases in salaries & wages.
- Salary & wages are higher than in 2016, the most profitable year.
- As operational activity changes, the restaurant should consider a decrease in fulltime staff or more variable hourly wages.

- QUESTIONS?