

# Tennis Club



## BUSINESS PLAN

by

Smiley Owner

BA 462 - Managing a Small Business

Jean Duane, Facilitator

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**Tennis Club**  
**1000 S. Tennis Way**  
**City, ST 00000**  
**(000) 910-2222**

## **I. Executive Summary**

### **A. Introduction**

Tennis Club is a community tennis association whose primary goal is to promote and strengthen participation in tennis by making it available to all who are interested and to provide a facility to encourage year round participation. Tennis Club is a unique facility to the area since it will be open to the public. The facility will cater to those tennis enthusiasts from the general public, schools in the area, and seniors that still enjoy the game of tennis who do not have access to indoor courts and do not want to pay monthly membership dues at private clubs.

### **B. The Organization**

Tennis Club will be organized as a nonprofit corporation that will apply for tax exemption under IRC code 501(c)(3). Our corporation will be formed under the direction and ownership of Smiley Owner who resides at 11000 Lewis Court, Anycity, State 00000, (000) 510-0000 and the Homeowner's Recreation Association, located at 1000 S. Tennis Way, City, State, (000) 699-8000. The Association will appoint a four to five member Board of Directors who will work closely with the facility ensure that the bylaws are followed. These individuals will work on a voluntary basis. The facility will also employ a full-time Tennis Director, who possesses the skills of running a tennis facility as well as various programs and tournaments. The facility will employ Smiley Owner as the Accountant, who has 15 years experience in the Accounting field. Tennis Club will hire a minimum of six part-time employees who will manage the phones and front desk. The facility will not employ a tennis professional. The facility will enter into a yearly contract with at least two teaching professionals whereby they are an independent contractors and "rent" courts from the facility on a per hour basis.

The facility came about through the efforts of a dedicated tennis player, Smiley Owner, who approached the Homeowner's Recreation Association with a proposal of a joint venture that would bring additional income to the Association and at the same time answer a need within the community. The essence of the agreement between the Tennis Club and the Homeowner's Recreation Association is that the Homeowner's Association will erect a bubble over four existing tennis courts that are adjacent to the clubhouse and Tennis Club will run and manage this facility. The residents and members of the Homeowner's Recreation Association will be allowed full use of the courts free of charge upon availability.

### **C. Services**

Tennis Club will offer a full range of tennis services including the scheduling and coordination of a number of activities and events. Tennis courts will be on a first come, first serve basis through a reservation system and rental of the court is on an hourly basis. The facility will offer in house leagues and ladders, private and group lessons and drills. The facility will support the programs of the local schools providing practice facility as needed. The facility will support the efforts of the USA Tennis Plan for Growth by holding a variety of activities and programs. These programs are:

- USA Tennis Free for All – events held to introduce new players to the sport or to get former players back in the game.
- USA Tennis 1 – 2 – 3 – low-cost, introductory program for players of all ages, which consist of six sessions totaling at least nine hours.
- USA Team Tennis – offers both youth and adults to play on teams in leagues.
- USA League Tennis – offers structured team matches, which offers a variety of competition in a social atmosphere.
- USA Tournament Tennis – offers tournament match play.

### **D. The Market and Strategy**

Research shows that the tennis industry is underserved in the community. The closing of the Main Tennis facility in March of 2002, which was a privately ran tennis club with monthly membership dues, prompted a survey conducted by the City Parks and Recreation department which indicated that there is interest and desire for an indoor tennis facility within this market.

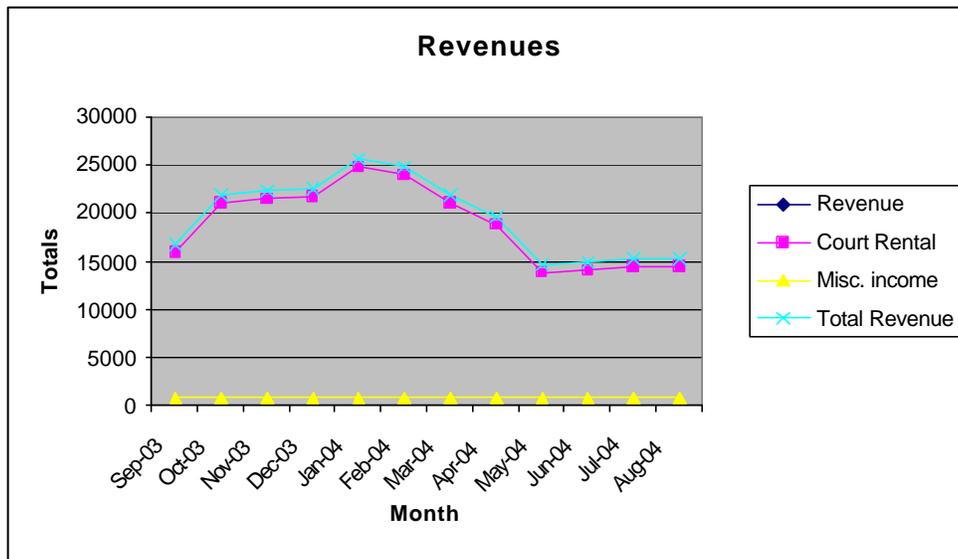
The strategy for Tennis Club's success is the location chosen for the facility as well as its alliance with other programs in the area that will also benefit from the facility.

**E. Statement of Financial Matters**

Forty five percent of the funding will come from a contribution by Smiley Owner of \$50,000.00. These funds will come from a Home Equity Loan on rental property owned by Smiley Owner at 1000 S Tampa Street, City, State. This property currently has approximately \$66,000 of equity available as evidenced by a recent appraisal. Smiley Owner will seek a small business loan to match these funds of \$50,000.00. The loan sought will be a small business loan to a woman and a minority at 8.75% interest for a period of 10 years. In addition, Tennis Club, will seek private contributions of \$2,500.00 and an additional \$2,500.00 from the three major city governments within the facility's service area for a total of \$10,000.00.

The funds will be used as follows: \$25,000 security deposit for The Homeowner's Recreation Association; approximately \$23,000 for start up expenses, which includes capitalized assets and funding the open house, and legal costs for contract reviews. The balance of the funds will be placed in the bank for working capital.

**Highlights**



## **II. Vision and Mission Statement**

### **A. Our Mission Statement**

“To promote tennis by providing an indoor facility and programs and events for all persons to enjoy tennis as a lifetime sport in the community.”

### **B. Our Vision**

To be the facility of choice for tennis enthusiasts throughout the community that will attract newcomers to the game of tennis and aide national and local organizations in reaching new levels of tennis involvement.

### **C. Our Values**

We will treat all customers and co-workers with respect. We will value the opinion of our customers and will solicit feedback often in order to improve our facility and programs. We will put the communities needs before our own.

### **D. Our Uniqueness**

The business will be unique in that it is open to the public. Many tennis facilities that have indoor courts are subject to private membership and monthly dues. This facility will cater to the tennis enthusiasts from the general public, schools in the area, and seniors on fixed incomes that still enjoy the game; somewhat similar to the public parks and recreation facilities.

## **III. Business and Industry Profile**

The business itself is a new start-up; however, in an industry that has proven successes within many communities. Growth will come in the form of the number of programs and events that the facility is able to add based on requests and success and interest generated from the first year programs.

### **A. Our Goals**

- To promote and strengthen participation in tennis by making it available to all who are interested and to provide a facility to encourage year round participation.
- To operate a top-notch tennis facility that accommodates tennis players at all levels of ability.
- To manage all proceeds in such a way that the facility is able to maintain a variety of programs and events as well as support the growth of these programs.
- To encourage youth involvement by offering free equipment and lessons to the youth of the community.

### **B. Our Objectives**

- To coordinate and run adult and junior tennis camps/programs at least one per month, initially.
- To host one USTA sanctioned tournament for juniors and adults per year, initially.
- To coordinate and run adult and junior leagues on a weekly basis.
- To provide access to private coaching/training/teaching from tennis professionals.

### **C. Our Industry**

The sport of playing Tennis dates back further than anyone can imagine, some even speculate that it goes as far back as the stone ages where rocks were hit back and forth with clubs. Needless to say, the sport has been around awhile. Its popularity lead to the forming of a national organization called the United State Tennis Association (USTA). This not-for-profit volunteer organization was founded in 1881 “to standardize tennis rules and regulations and to encourage and develop the sport.” A goal that they have met successfully as the there are currently more than 600,000 individual members and more than 6,000 organizational members. Of these members, nearly 20,000 reside in the state with an estimate of 2,500 within the community to be served by Tennis Club. The success and growth of tennis can be summed up in one sentence as stated by a staff member of the Tennis Association, “Participation in organized tennis across the state skyrocketed in 2002, as organized programs throughout the state did a fantastic job in promoting tennis to a whole new generation of players.” Many areas experienced as much 18% increase in youth participation and one even stated that they say a 55% increase. This is promising news for the

sport since getting youth involved will bring the game of tennis to new heights in terms of active playing members.

What does this mean for Tennis Club? It means that the future of tennis never looked brighter and for a new start up organization that is willing to open up new opportunities for the community there are so many national and local organizations that are offering support for their efforts. The growth initiative that was started by the USTA and passed down through Regional, Sectional, and local CTA's the outlook for the future is that the game of Tennis will continue to grow and that each year more and more individuals will pick up a tennis racquet.

Events such as the Rock & Rally, sponsored by the USTA during the month of May, which is the national dedicated "Tennis Month," in communities around the country are just one of the reasons why Tennis is a successful sport. The USA Tennis "Rock & Rally" music and tennis festivals will feature tennis clinics, on-and off-court activities for players of all ages and skill levels and musical entertainment.



#### IV. Business Strategy

##### A. Our Image

The name of our business, Tennis Club was chosen because we want the general public to understand that this is a facility for any and everyone who is interested in learning and playing the game of Tennis. Even those who are not currently tennis players are welcome to come through our doors and walk out on the court and try the game of Tennis. We want to reflect a relaxed atmosphere where those less fortunate and cannot afford private club memberships are welcome to come in and learn the game of Tennis at affordable rates.

##### B. SWOT Analysis

Internal Strengths	Internal Weaknesses
<ul style="list-style-type: none"> <li>• Alliance with Homeowner's HOA</li> </ul>	<ul style="list-style-type: none"> <li>• Only 4 indoor courts, where most of competition has more</li> </ul>
<ul style="list-style-type: none"> <li>• Strong, enthusiastic Board, which are also Tennis players</li> </ul>	<ul style="list-style-type: none"> <li>• Non tennis playing residents of the Homeowner's HOA objecting to the plan</li> </ul>
<ul style="list-style-type: none"> <li>• Good relationship with the school systems and the parks and recreation departments</li> </ul>	<ul style="list-style-type: none"> <li>• Main source of income, court rental fees</li> </ul>
External Opportunities	External Threats
<ul style="list-style-type: none"> <li>• Developing relationships with tennis enthusiasts who can offer services in exchange for court time.</li> </ul>	<ul style="list-style-type: none"> <li>• The City governments decide to open a facility of its own.</li> </ul>
<ul style="list-style-type: none"> <li>• Developing relationships with other Tennis vendors who may sponsor programs and events</li> </ul>	<ul style="list-style-type: none"> <li>• Competitor decides to drop member fees altogether</li> </ul>
	<ul style="list-style-type: none"> <li>• Traffic issues that are constant and will grow within the location of the facility, especially during rush hour.</li> </ul>

### **C. Competitive Strategy**

Our strategy for success is to set the business apart from the competition. This will be accomplished by the following means:

- The market where the service(s) that we are providing is not currently being served. The target market is currently not enjoying the benefits of this type of business; therefore, there will be much enthusiasm and support of this business venture.
- Direct involvement from other organizations within the market area, which have created successful programs that could share the benefits and therefore, will help to ensure its success. The plan is to use the resources and expertise of individuals who have been in the industry for several years and have the respect of the target market.

Strategically, it is believed that the location chosen, the partnership with those in the business that have extensive background in the industry, the financial background of the Accountant and the implementation of this business plan will ensure success.

## **V. Company Products and Services**

### **A. Description**

The product that we are providing is a tennis facility that is open to the general public, which is what makes us unique. The facility will coordinate and run a number of programs, such as leagues and lessons; and events, such as tournaments. The four courts will be rented to the public on a first-come first-serve basis based on an hourly fee. The facility will support the programs of the local schools providing practice facility as needed. The facility will support the efforts of the USA Tennis Plan for Growth by holding a variety of activities and programs. These programs are:

- USA Tennis Free for All – events held to introduce new players to the sport or to get former players back in the game.
- USA Tennis 1 – 2 – 3 – low-cost, introductory program for players of all ages, which consist of six sessions totaling at least nine hours.
- USA Team Tennis – offers both youth and adults to play on teams in leagues.
- USA League Tennis – offers structured team matches, which offers a variety of competition in a social atmosphere.
- USA Tournament Tennis – offers tournament match play.

### **B. Customer Benefits**

The customer will enjoy the benefits of year-round tennis play without the added burden of monthly dues. The “drop-in” and play policy, through the reservation system, will give many tennis players the opportunity to play as their budget allows. It will provide opportunity for those who want to learn an affordable way to do so.

## **VI. Marketing Strategy**

### **A. Target Market**

The target market geographically is the target community. There is an estimated 2,000 registered USTA tennis members within these communities. Active tennis players register with the USTA in order to participate in local, district and national leagues and tournaments. This number does not include the individuals who play tennis but do not register with the USTA simply because there may not be a benefit to them to do so if they are not interested in playing in USTA sponsored leagues and tournaments.

A confidential survey was conducted of all of the tennis players in the target community. The survey revealed the types of programs desired by the community as well as the price points. IT asked for likes and dislikes about other facilities and asked how many members of the household would use the facility. The survey results formed a basis for the marketing and financial sections of this plan.

### **B. Market Size and Trend**

The market size is estimated to be equal to the number of players who are registered with the USTA. As stated earlier, it is believed that the tennis industry is in a growth period with new individuals being introduced to the game everyday through initiatives such as this one that provide them with an opportunity to do so.

### **C. Advertising and Promotion**

The media message for advertising strategies is “Bringing affordable indoor tennis to your community, *Tennis Club* a non-profit community tennis association. Come be a part of the fun. Grand opening set for the Fall of 2003.”

The promotion of the facility will be via handouts throughout the community including local schools, advertising in the semi-monthly tennis newspaper, and Parks and Recreation pamphlets; an open house for private contributors day one, and a free day for the public on day two to familiarize the public with the facility and how it will operate.

The budget for the first year advertising and promotions is \$9,700.00 with an additional \$3,200.00 to be used for the “Grand Opening” events. These funds will be allocated as follows:

- Open house – total \$3,200.00
  - \$872.00 – Full-page ad in the Tennis Newspaper July/August issue.
  - \$500.00 – Printing costs for 2,000 mailers.
  - \$740.00 – Postage for mailing 2,000 mailers at \$.37 each.
  - \$1,000.00 – Food (light snacks) and drinks. Food donations will also be solicited from local merchants.
  - Donations from local tennis distributor will be solicited for giveaway items during the two day event: Ball hoppers, tennis bag, tennis racquet, gift certificates, free court time certificates, t-shirts (cost covered by sponsors).
- Year One Advertising – total \$5,124.00
  - \$1,692.00 – Tennis Newspaper, ¼ page ad, 6 issues per year
  - \$1,932.00 – Town Journal, 1/16 page ad, 4 issues per year
  - \$ 600.00 – Homeowner’s Newsletter, ¼ page ad, 4 issues per year
  - \$ 900.00 – Town Recreation brochure, ¼ page ad, 3 issues per year
- Year One Printing, Handouts and Mailers - total \$4,620.00
  - \$2,220.00 – Mailing of 1,000.00 mailers every other month at \$.37 each.
  - \$2,400.00 – Printing of mailers, estimate 9,600 mailers, 6,000 to be mailed, 3,600 to be handed out at local schools and community via volunteers.

### **D. Pricing**

The price of using the facility will be based on an hourly court rate, which would be priced competitively with private clubs; but be affordable to the general public and covers the day to day expenses of the facility. There would be moderate fees for participating in instructional programs or camps and fees for tournament entrants.

The hourly rates, are \$17.00 per hour during the week, Monday through Friday and \$19.00 per hour on the weekends. For a group of four individuals playing two hours of doubles on the weekend, the total cost for each person would be \$9.50. In comparison to the competition, the hourly rates are comparable as most charge between \$14.00 per hour during prime time to \$22.00 per hour, prime time being the hours of 9 a.m. and 9 p.m. These fees charged by the competition are in addition to monthly membership dues, which Tennis Club will not charge.

### **F. Distribution Strategy**

The plan for distribution of information on the opening of the facility will be via mailers and handouts distributed by volunteers. The months leading to the opening of the facility, which is scheduled for September 2003, are the most active tennis months in terms of participation in outdoor events, i.e. tournaments. Handouts will be distributed at the major events, which include the City Open and the State Open.

The plan for presenting the facility to potential sources of funds will vary dependent on the source. As an example, the plan for presenting it to the USTA or other grant giving organizations would be to provide them with a copy of the business plan, which would highlight the types of programs and activities that the facility will provide. The facility will also be registered with the USTA. If the sources of funding were individual donations or contributions, we would hold a “be a part of

improving your community” campaign through flyers or advertisement published inside the semi-monthly tennis newspaper distributed by the Tennis Association.

## **VII. Location and Layout**

### **A. Location**

The place of the facility is best suited for the vicinity of Lewis Road and Lyons Road, which allows convenient access by all residents in the target community. It also serves as a convenient location to a number of schools, which may want to use the facility. The business will utilize existing courts and clubhouse, which are owned by the Homeowner’s Home Owners Association. The plan is to cover four of the existing tennis courts with a bubble and install an enclosed walkway from the clubhouse to the bubble for entrance onto the courts. The Homeowner’s Recreation Association will cover the costs of constructing the bubble and lease back to Tennis Club. Tennis Club will sign a 10-year agreement with the Association detailed as follows. The rental rates for this market are \$17.16 per square foot for full-service rent. The Homeowner’s Recreation Association will lease to Tennis Club approximately 600 square feet of space in the clubhouse for offices, reception desk and storage, which brings annual rental rate to \$10,296.00 for use of the clubhouse, which will include restrooms and showers. In addition to the rent for use of the clubhouse, Tennis Club will pay \$28,800.00 for the tennis courts, \$4,800.00 for maintenance and shared utilities, and \$4,000.00 for business insurance maintained by the HOA. All in all, this joint venture should bring additional revenue to the Homeowner’s HOA and satisfy a need within the community.



The only concern for this location is the traffic issues that have developed and will continue to grow as new housing and recreational facilities are added to the area. The current traffic count is making rush hour traveling through this community quite tedious and time consuming. This would make it difficult for customers trying to get to the facility for a 6:00 p.m. court time tedious. Knowing this, however, many customers will probably adjust their schedule to allow for this minor inconvenience.

There are not currently any concerns regarding labor needs and supply or wage rates. Since the plan is to hire 6 part-time seniors and or high school students to work the reception desk, there should be plenty of individuals to choose from within this market area.

### **B. Layout**

The layout of the space occupied in the clubhouse will primarily be a reception counter that will be installed by Tennis Club as leasehold improvements. The counter will be near the entrance to the tennis courts. The office space is already in place, which will be occupied and shared by the Accountant and the Tennis Director. The facility will accommodate those with disabilities. Wheel chair tennis is also a fast growing segment of the tennis industry, so we will make it accessible to all as our name indicates. The business will require additional parking, which will be done on the vacant land that is on the south side of the tennis courts.

## **VIII. Competitor Analysis**

### **A. Existing Competitors**

The survey indicates that the main competitors are Athletic Clubs, Golf and Tennis Center, Country Club, and Tennis Center. Of those that responded to the survey, 78% are currently playing at one of these facilities. Below is a brief competitive profile of each of these facilities:

Facility	Tennis Features	Court Fees per hour (9 am - 9 pm)	Monthly Membership Dues
Athletic Club One	24 outdoor/16 indoor courts	\$18	from \$129 single to \$190 family per month
Athletic Club Two	12 outdoor/8 indoor courts	\$18	from \$129 single to \$190 family per month
Golf & Tennis	6 indoor courts w/ AC	\$22 in district; \$29 non-district	None
Athletic Club Three	7 indoor clay/5 outdoor courts	None	from \$129 single to \$236 family per month
Country Club	6 outdoor/3 indoor courts	\$18	\$140 per month
Tennis Center	4 indoor courts	\$14	from \$435 single to \$625 family per year

The above facilities in addition to the monthly membership dues, all with the exception of Golf & Tennis charge a one-time initiation fee upon joining that ranges from \$100.00 to \$400.00 depending on the type of membership selected. These fees along with the monthly membership dues are certainly weaknesses in terms of a competitive edge. The only facility that doesn't charge the monthly dues is Golf & Tennis, which due to its location it is not believed that this facility is a direct competitor. It is believed that many of the 13.7% of the individuals represented in the survey who stated that they play at this facility do so because of the lack of membership fees. However, if there were a similar facility closer to home, Tennis Club would get the business. In terms of strengths, most of these facilities offer a great deal of other amenities, such as full workout facility with free weights and equipment along with a restaurant and lounge area.

### B. Potential Competitors

It is obvious that the community Parks and Recreation departments would entertain the idea of opening a facility within their communities. If this happens, depending on the location chosen, it could certainly pull some of the potential customers from our business to theirs. With this in mind, we will seek to develop a strong relationship with these departments, supporting many of their tennis programs and efforts.

## IX. HR and Management

### A. Human Resource Philosophy

Tennis Club is committed to providing a positive work and learning facility where all individuals are treated fairly with respect, regardless of their positions.

### B. Human Resource Policy

- All individuals will be given full and equal opportunity to develop the knowledge and skills needed to contribute to the success of the association and every position will be filled on the basis of an individuals qualifications without regard to race, color, gender, national origin, ancestry, physical handicap, age, height, weight, marital status or prior military service.
- Benefits: company will provide 50% of cost of health insurance only to all full-time employees; life and accidental death and dismemberment insurance at one times annual salary to all full-time employees.

### C. Professionals Needed

- CPA firm: during the first year and until Smiley Owner completes Accounting degree; a CPA firm may be needed to oversee and advise on certain transactions and assist with year-end tax preparation (possible prepare the first tax return). This firm was chosen from prior working relationship had with Smiley Owner. Estimated annual fee is \$2500.00.
- Marketing firm or an individual: This person to be hired on an as needed basis via contract labor to direct or consult regarding marketing efforts. Estimated annual fee is \$600.00. Possible candidates: Kate Marketer, an acquaintance of Smiley Owner through tennis network who has an extensive background with marketing positions held in the area of educational training and promotional materials. Another source is PP Marketing. This firm is known by Smiley Owner through past positions of employment and could bring a great deal of creativity to the marketing of the facility.
- IT support: This person will also be hired on an as-needed basis for computer set-up; support and training as necessary for a database that will track register visitors, reserve courts; and

provide accounting support. Estimated annual fee is \$600.00. The choice for this position is Mark Technical, who is also an acquaintance of Smiley Owner through her present position.

#### **D. Other Key Personnel**

- Program and Facility Director: this position will be held by Tennis Pro. Tennis Pro was chosen due to his experience in planning activities to promote local involvement as well as running a tennis facility, tournaments, and programs. This position will initially pay a starting salary of approximately \$45,000. The position will also offer perks via unlimited use of the tennis facility as well as the other benefits stated under the HR policy section.
- Accounting Manager: this position will be held by Smiley Owner. See attached resume of qualifications. The annual starting salary will be \$25,000.00. The position will offer perks via unlimited use of the tennis facility.
- Counter/desk clerks: This position will primarily be held by part-time employees ideally by either High School juniors/seniors or college students. The position will be responsible for taking calls from customers to reserve courts, or book a spot in a program or tournament. Each individual will work a maximum of 20 hours per week. Based on this and the facilities operating hours, totaling 106 per week, we will need to hire at least 6 individuals. The position will offer perks via unlimited use of the tennis facility, coupons earned via attendance toward discounts on programs and lessons. As a bonus to graduating seniors and college students who met the requirements set for educational performance, job performance the company will offer a \$500.00 scholarship, annually. The pay for this position will be \$7 per hour.
- Tennis Teaching Pros: The facility will negotiate contractual commitments of 2 teaching professionals. These contracts will require that the teaching pros work 24 hours per month within the club to help promote facility-sponsored programs. Each pro will be paid on an hourly basis as a contract laborer a fee of \$25.00 per hour. In return for the reduced rates to the facility, the facility will allow the professionals use of the facility as follows: 8 hours of free court time per month (maximum of 4 hours can be used during the peak period, weekdays 6-10 p.m.) for private lessons. After the 8 hours, the teaching pro will pay the regular rate.

#### **X. Plan of Operation**

##### **A. Form of Ownership**

The form of ownership will be a non-profit corporation. The form of ownership was chosen mainly due to research done, which suggested that this was the best form of ownership. As a non-profit corporation, the facility could apply for tax-exempt status as well as the limited liability to directors, officer, employees, and members of the association of the corporate debts or liabilities, a corporation enjoys separate and perpetual legal existence which means it will survive any changes in management, and the corporation will require formal written documentation, such as Articles of Incorporation, by-laws and tax-exempt applications, which will help govern how the business operates. The fiscal year of the business will be from September to August.

##### **B. Company Structure**

The facility will be day-to-day operations will be ran by Smiley Owner and Tennis Manager. There will be a four to five member Board of Directors, appointed by the Homeowner's Recreation Association to oversee that the by-laws are being followed. Recommended appointees are Tennis Director, who is head of the Tennis Department with City Parks and Recreation; Tennis Ace, who is a respected tennis teaching pro and a respected member of the tennis community; Tennis Guru, who is the President and Owner of Tennis Retailer, Inc., the premier tennis provider within the community; and Community Manager of the Homeowner's HOA.

##### **C. Compensation and Benefits**

The compensation and benefits that will be paid are discussed under the HR and Management section. All board members will serve on a voluntary basis. Also, there will be additional volunteers solicited to help with special events and to assist with passing out mailers.

## XI. Financial Forecasts

### A. The Plan

The business does not require a great deal of capital to get it started; it is estimated that the business can start with as little as \$110,000.00. These funds will come from the following sources:

- Smiley Owner: \$50,000.00, which will come from her personal equity in rental property owned.
- Small Business Loan: \$50,000.00. Desired loan is a 10-year loan at 8.75% interest through an organization that makes loans in accordance with the guidelines established by the SBA to small disadvantaged business such as minority and women owned.
- Contributions: \$10,000.00. Private parties, \$2,500.00; three major cities served within target community, \$2,500.00 each.

The funds will be used as follows: \$25,000 security deposit for The Homeowner's Recreation Association; approximately \$23,000 for start up expenses (detailed below). The balance of the funds will be placed in the bank for working capital.

<b>START UP COSTS</b>	
<b><u>Assets, capitalized</u></b>	
2 computers	1598
1 fax, copier, scanner, printer	900
1 Ball machines/ball collectors/baskets	1800
Leasehold improvements	5000
Office furniture (desks, phones, chairs, filing cabinets)	4500
<b>Other costs, amortized</b>	
Legal costs (contract w/HOA, teaching Pros)	6000
Open house	3200
Rental Deposit to HOA	25000
Cash in bank	60000
<b>Total Startup</b>	<b>107998</b>

The "Open House" will be two days of events; the first day will be for Board of Directors, Homeowner's residents, sponsors, and contributors; the second day will be open to the general public. The expense will cover food and drink (\$1,000.00), advertisement, which consists of printing and mailing of the notice of the event (\$2,200.00). A raffle will be held for giveaway items, which will require registration of visitors in order to obtain a mailing list. The items given away will be donated by local organizations.

### B. Important Assumptions

- The business will operate as a non-profit, tax-exempt community tennis association to be eligible for USTA, federal, state, and local grants. Also the association will become registered with the USTA as part of the requirement to receive funds/grants from these organizations.
- The financial goal is to make enough profit to sustain the business as well as allow the programs to grow. In order to attain this goal, the business will strive to seek in-kind support for some of the operational expenses, such as printing, legal and tax fees, computer services, and volunteers to help with distributing promotional materials. Once the business is open, tennis players who are coming into the facility may open up opportunities to get some of these services free in exchange for court time.

**C. Projected Revenues**

- Total projected revenue during the first year is \$225,755 from court rental fees. This amount is based on an average usage fee of 60% for the year.
- The business expects to earn \$10,000.00 of additional revenue each year from special events, such as tennis tournaments, grants, and program fees.

<b>Projected Court Rental Revenues</b>												
	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04
Hours Weekdays	320	368	288	320	336	320	368	352	320	352	352	352
Hours Weekends	96	96	120	96	108	108	96	96	120	96	108	108
% of Usage	55%	65%	75%	75%	80%	80%	65%	60%	45%	45%	45%	45%
Weekday Rate	17.00											
Weekend Rate	19.00											
<b>Revenues</b>												
Weekdays	2992.00	4066.40	3672.00	4080.00	4569.60	4352.00	4066.40	3590.40	2448.00	2692.80	2692.80	2692.80
Weekends	1003.20	1185.60	1710.00	1368.00	1641.60	1641.60	1185.60	1094.40	1026.00	820.80	923.40	923.40
Total Per Court	3995.20	5252.00	5382.00	5448.00	6211.20	5993.60	5252.00	4684.80	3474.00	3513.60	3616.20	3616.20
Total 4 Courts	15980.80	21008.00	21528.00	21792.00	24844.80	23974.40	21008.00	18739.20	13896.00	14054.40	14464.80	14464.80

## D. Financial Statements

### Tennis Club Pro Forma Income Statement For the year ended August 31, 2004

		Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Totals
<b>Revenue</b>														
Court Rental		15,981	21,008	21,528	21,792	24,845	23,974	21,008	18,739	13,896	14,054	14,465	14,465	225,755
Misc. income		833	833	833	833	833	833	833	833	833	833	833	833	10,000
<b>Total Revenue</b>		<b>16,814</b>	<b>21,841</b>	<b>22,361</b>	<b>22,625</b>	<b>25,678</b>	<b>24,808</b>	<b>21,841</b>	<b>19,573</b>	<b>14,729</b>	<b>14,888</b>	<b>15,298</b>	<b>15,298</b>	<b>235,755</b>
<b>Expenses</b>														
Salary		5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	70,000
Wages		3,640	3,640	3,640	3,640	3,640	3,640	3,640	3,640	3,640	3,640	3,640	3,640	43,680
Donus													500	500
Payroll Taxes	Fica	725	725	725	725	725	725	725	725	725	725	725	725	8,735
	CO SUI	256	256	231	68	-	-	-	-	-	-	-	-	810
	Futa	76	76	48	29	29	29	29	29	29	29	29	29	449
Phones		200	200	200	200	200	200	200	200	200	200	200	200	2,400
Insurance	Life	11	11	11	11	11	11	11	11	11	11	11	11	132
	AD&D	4	4	4	4	4	4	4	4	4	4	4	4	48
	Health	300	300	300	300	300	300	300	300	300	300	300	300	3,600
	Workers Comp	209	49	49	49	49	49	49	49	49	49	49	52	754
Bad Debt Expense		160	210	215	218	248	240	210	187	139	141	145	145	2,258
Postage	Mailings	370		370		370		370		370		370		2,220
	Mthly Statements	74	74	74	74	74	74	74	74	74	74	74	74	888
Printing		200	200	200	200	200	200	200	200	200	200	200	200	2,400
Property taxes		20	20	20	20	20	20	20	20	20	20	20	20	240
Rent to Homeowner's HOA		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
Supplies	Office	100		100		100		100		100		100		600
	Other	175	175	175	175	175	175	175	175	175	175	175	175	2,100
Advertising			915	300	282	633	282	300	915		282	633	582	5,124
Professional Fees	Marketing	50	50	50	50	50	50	50	50	50	50	50	50	600
	IT Support	50	50	50	50	50	50	50	50	50	50	50	50	600
	Legal	50	50	50	50	50	50	50	50	50	50	50	50	600
	Accounting	208	208	208	208	208	208	208	208	208	208	208	208	2,496
Contract Fees		1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400
Utilities	Lights, heat, A/C	700	700	700	700	700	700	700	700	700	700	700	700	8,400
Bank Fees														
	Credit Card/Check Processing	370	486	498	504	575	554	486	433	321	325	334	334	5,221
	Account Fees	30	30	30	30	30	30	30	30	30	30	30	30	360
<b>Total Expenses</b>		<b>19,010</b>	<b>19,462</b>	<b>19,281</b>	<b>18,620</b>	<b>19,474</b>	<b>18,625</b>	<b>19,014</b>	<b>19,084</b>	<b>18,479</b>	<b>18,296</b>	<b>19,131</b>	<b>19,137</b>	<b>227,613</b>
<b>Net Income</b>		<b>(2,196)</b>	<b>2,379</b>	<b>3,080</b>	<b>4,006</b>	<b>6,204</b>	<b>6,183</b>	<b>2,827</b>	<b>488</b>	<b>(3,749)</b>	<b>(3,408)</b>	<b>(3,832)</b>	<b>(3,839)</b>	<b>8,142</b>
Depreciation		205	205	205	205	205	205	205	205	205	205	205	205	2,456
Amortization		153	153	153	153	153	153	153	153	153	153	153	153	1,840
Interest expense		-	365	363	361	359	357	355	353	351	349	347	345	3,903
Interest Income		-	-	-	-	-	-	-	-	-	-	-	-	-
Gain/loss on disp of assets		-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Income</b>		<b>(2,554)</b>	<b>1,657</b>	<b>2,359</b>	<b>3,287</b>	<b>5,487</b>	<b>5,468</b>	<b>2,114</b>	<b>(223)</b>	<b>(4,458)</b>	<b>(4,115)</b>	<b>(4,537)</b>	<b>(4,542)</b>	<b>(57)</b>

### Notes to Income Statement

- a) Court Rental revenues are arrived at by the number of hours the facility will operate during the month multiplied by the hourly rate and then multiplied by the estimate of usage percentage.
- b) Misc. income revenues are estimated to be around \$10,000 annually. These funds will come from grants (USTA, federal, state, local foundations), sponsorships to special events, special events (ex: tournaments), and program fees (team tennis fees, group lessons)
- c) Expenses are estimated and divided equally per month or every other month as in the postage for mailings or quarterly for some advertising expenses based on the publication of issues. Below is a breakdown of the basis for some of these costs:

Phones	3 incoming lines; 1 additional line for fax machine @ \$50 per line
Insurance	Each full time associate will receive Life and AD&D insurance at 1 times their annual salary, at this point there are 2 individuals eligible; health insurance is provided at 50% of the premium to full-time associates, the associate is responsible for 50%, at this time there is 2 individuals eligible; however only 1 will need the coverage as Smiley Owner already has coverage.
Life	Rates estimated.
AD&D	Rates estimated.
Health	50% reimbursement tennis director only full payment estimated at \$600/month
Workers Comp	Estimated rate of .52/100 of compensation plus \$160 expense constant payable during the first
month.	
Postage	
Mailings	Estimate 1000 mailings every other month to market area.
Mthly Statements	Estimate 200 statements to be mailed monthly to customers on a monthly billing schedule.
Printing	Estimate to print flyers, handouts, tournament brochures during the year.
Property taxes	Accrual for personal property taxes due on assets.
Rent to Homeowner's HOA	Rent to HOA based on usage of 600 square feet of club house for office space and reception area @ 17.16 per square foot totals \$10296 rent; \$4000 for business insurance maintained by the HOA; \$4800 for maintenance and shared utilities; \$28800 for rental of tennis courts.
Supplies, other	This amount is for t-shirts, tennis balls, marketing promo items that the facility will purchase; many of the items may be donated by sponsors.
Professional and contract fees	Estimate of annual fees.
Bank fees	Estimate of credit card processing fees and bank fees for operating accounts.
d) Depreciation, amortization, interest expense	
Depreciation	Expense based on straight-line depreciation as follows: computers- 3 years; furniture and fixtures- 7years; leasehold improvements-10 years (life of the lease); and equipment-3 years
Amortization	Expense based on amortization of startup costs at 5 years.
Interest expense	Expense based on 10-year loan of \$50,000 at 8.75% interest.

**Tennis Club**  
**Pro Forma Balance Sheet**  
**For year ended August 31, 2004**

	Beginning	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Ending
<i>Current Assets</i>														
Cash	62,002	57,357	55,970	59,140	62,898	65,218	71,600	77,429	77,784	77,397	73,973	68,693	65,153	65,153
Accounts Receivable	-	11,986	15,756	16,146	16,344	18,634	17,981	15,756	14,054	10,422	10,541	10,849	10,849	10,849
Less allowance for doubtful accounts	-	(160)	(370)	(585)	(803)	(1,052)	(1,291)	(1,501)	(1,689)	(1,828)	(1,968)	(2,113)	(2,258)	(2,258)
Prepaid Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits, rental property	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
<i>Fixed Assets</i>														
Leasehold improvements	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Equipment	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Furniture/Fixtures	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Computers	2,498	2,498	2,498	2,498	2,498	2,498	2,498	2,498	2,498	2,498	2,498	2,498	2,498	2,498
<i>Accumulated Depreciation</i>														
Leasehold improvements	-	(42)	(84)	(126)	(168)	(210)	(252)	(294)	(336)	(378)	(420)	(462)	(504)	(504)
Equipment	-	(50)	(100)	(150)	(200)	(250)	(300)	(350)	(400)	(450)	(500)	(550)	(600)	(600)
Furniture/Fixtures	-	(54)	(108)	(162)	(216)	(270)	(324)	(378)	(432)	(486)	(540)	(594)	(648)	(648)
Computers	-	(59)	(118)	(177)	(236)	(295)	(354)	(413)	(472)	(531)	(590)	(649)	(708)	(767)
<i>Total Fixed Assets</i>	13,798	13,593	13,388	13,183	12,978	12,773	12,568	12,363	12,158	11,953	11,748	11,543	11,338	11,338
Amortization	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
Amortization Expense	-	(153)	(306)	(459)	(612)	(765)	(918)	(1,071)	(1,224)	(1,377)	(1,530)	(1,683)	(1,836)	(1,836)
<i>Total Assets</i>	110,000	116,823	118,639	121,625	125,005	129,008	134,140	137,175	135,283	130,767	126,964	121,489	117,446	117,446
<i>Current Liabilities</i>														
Accounts Payable	-	8,301	9,758	8,569	8,087	11,860	8,138	8,557	10,912	8,093	7,908	11,001	8,720	8,720
Accrued Wages and Salaries Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued property taxes	-	20	40	60	80	100	120	140	160	180	200	220	240	240
Accrued taxes payable	-	1,056	0	2,060	2,881	(2,127)	1,508	2,262	(1,508)	1,508	2,262	(1,508)	1,533	1,533
<i>Total current liabilities</i>	-	9,377	9,799	10,689	11,049	9,833	9,765	10,959	9,563	9,780	10,370	9,713	10,493	10,493
<i>Long Term liabilities</i>														
Notes Payable	50,000	-	49,738	49,474	49,208	48,940	48,671	48,399	48,125	47,849	47,572	47,292	47,010	47,010
<i>Total long term liabilities</i>	50,000	50,000	49,738	49,474	49,208	48,940	48,671	48,399	48,125	47,849	47,572	47,292	47,010	47,010
Smiley Owner, Capital	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Other Contributions	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Retained Earnings	-	(2,554)	(898)	1,462	4,749	10,235	15,704	17,818	17,595	13,137	9,022	4,485	(57)	(57)
<i>Total Liabilities + Owners Equity</i>	110,000	116,823	118,639	121,625	125,005	129,008	134,140	137,176	135,284	130,767	126,964	121,489	117,446	117,446

**Tennis Club**  
**Statement of Cash Flows**  
**For year ended August 31, 2004**

	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04
<b>Cash flows from operating activities:</b>												
Net income (earnings after taxes)	(\$2,554)	\$1,657	\$2,359	\$3,287	\$5,487	\$5,468	\$2,114	(\$223)	(\$4,458)	(\$4,115)	(\$4,537)	(\$4,542)
Adjustments to determine cash flow from operating activities:												
Add back depreciation	358	358	358	358	358	358	358	358	358	358	358	358
Increase in accounts receivable	-11986	-3770	-390	-198	-2290	653	2225	1702	3632	-119	-308	0
Decrease in prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-
Increase in accounts payable	8301	1457	-1189	-482	3773	-3722	419	2355	-2819	-184	3092	-2280
Decrease in accrued expenses	1076	-1036	2080	841	-4989	3655	774	-3750	3036	774	-3750	3061
Total adjustments	-2250	-2991	859	519	-3148	944	3776	664	4207	829	-607	1138
Net cash flows from operating activities	(\$4,805)	(\$1,334)	\$3,218	\$3,806	\$2,339	\$6,412	\$5,890	\$442	(\$251)	(\$3,286)	(\$5,145)	(\$3,403)
<b>Cash flows from investing activities:</b>												
Increase in investments (long-term securities)	-	-	-	-	-	-	-	-	-	-	-	-
Increase in plant and equipment	-13798	-	-	-	-	-	-	-	-	-	-	-
Net cash flows from investing activities	-13798	-	-	-	-	-	-	-	-	-	-	-
<b>Cash flows from financing activities:</b>												
Increase in bonds payable	-	-	-	-	-	-	-	-	-	-	-	-
Preferred stock dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
Common stock dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
Net cash flows from financing activities	-	-	-	-	-	-	-	-	-	-	-	-
Net increase (decrease) in cash flows	(\$18,603)	(\$1,334)	\$3,218	\$3,806	\$2,339	\$6,412	\$5,890	\$442	(\$251)	(\$3,286)	(\$5,145)	(\$3,403)

**XII. Appendix**  
**A. Smiley Owner Resume**

**Smiley Owner**

11000 Lewis Court ? Anycity, State 00000 ?303-510-00000

Accounting professional with strengths in management, financial reporting, and computer applications. Possess excellent interpersonal skills and the talent and ability to relate to all levels of the organization. Experienced in designing spreadsheets and reports at the advanced level using Excel and proficient in the use of PowerPoint, MS Word, MS Outlook, and Windows 2000. Experience with Open Systems, Axapta, and Integrated Systems Technology accounting software packages.

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**PROFESSIONAL EXPERIENCE**

**The Best Company** 2001 – Present  
City, State

**Accounting Manager**

Responsible for directing the accounting functions of this new start-up organization. These functions include establishing and maintaining the organization's accounting principles, practices, procedures, and initiatives. Prepares monthly financial statements and reports and presents findings and recommendations to the President. Performs a variety of tasks to include accounts receivable maintenance and collections, accounts payable, general ledger maintenance, payroll reporting, and sales tax return preparation.

**The Second Best Company** 1993 - 2001  
City, State

**Accounting Manager – Assistant Controller**

Management - Manage the Accounting department, including supervising four Accounting employees. Responsible for managing the general accounting functions: accounts receivable, accounts payable, and payroll processing. Responsible for managing the tax reporting, tax planning, and compliance function. Oversee the completion of accurate tax returns in order to optimize the tax obligation. Responsible for managing two administrative functions, general office clerk and receptionist.

Financial Reporting – Responsible for all general ledger transactions ensuring accuracy of entries and maintaining the integrity of the general ledger. Maintain account reconciliation ledgers for all balance sheet accounts, including Fixed Asset Ledger. Responsible for preparation of annual property tax returns for multiple state locations. Reconcile monthly bank statements. Prepare and make monthly closings entries. Maintain the ledger for tracking sales commissions, which required monthly analysis of sales and margins. Prepare weekly sales analysis ledger for senior management. Compile various ledgers and information and work with independent audit firm to complete quarterly and annual audits. Assists the controller in preparing financial reports and statements to present findings and recommendations to top management.

HR – Administer 401k, health insurance, flexible spending, and long-term disability plans. Designed form and assisted with the implementation of new Associate Review Plan. Processed annual W-2 statements.

Computer Applications – Assist with implementation of new accounting software. Responsible for training accounting staff on the use of this new accounting program and ensuring the accuracy of entries. Able to quickly process information and devise a plan to accomplish tasks timely and accurately. Provide written procedures and develop systems for processing daily accounting functions.

**The Third Best Company** 1991 – 1993  
City, State

**Finance Department/Automobile Sales**

Finance - Assisted with processing of automobile sales deals by reviewing documents for accuracy. Ensured all paperwork was properly completed, including financial calculations. Recorded down payments into the system and forwarded to accounting for processing.

Sales – Part-time Sales Associate (afternoons/evenings/weekends). The position was a commission-based position, which required use of discipline, time management and budgeting skills. Developed a system for follow-up and honed people skills.

**The Fourth Best Company**  
City, State

1988 - 1991

**Accountant**

Solely ran accounting office for \$6 million co-operative. Responsible for all accounts receivable, accounts payable, general ledger and payroll functions. Prepared financial reports and statements for top management.

**The Fifth Best Company**  
City, State

1986 - 1988

**Executive Assistant to V.P. – Finance**

Prepared revenue analysis statements to reflect growth (profit and loss) of company owned plants versus licensee plants. Tracked and produced reports for manufacturers' representative commissions.

**EDUCATION**

19XX            University of State - accounting prerequisites / business courses  
19XX            Community College – accounting courses  
Present        The University – courses toward Accounting degree

**B. Bio of Tennis Pro**

Tennis Pro has been a USPTA, Pro-1 certified teaching professional since 19XX, and has been fortunate to have worked closely with some of the most accomplished coaches and players (at some of the finest facilities) in the industry. His experience in the clubs/resorts business is extensive from both a coaching and management standpoint. Tennis Pro's ability and desire to create and promote activities/special events has made him very successful in State, and he has brought similar excitement to State, namely the State's HOLIDAY CHARITY PRO-AM in 20XX, which featured world-class players, Andrea Lob and Roberta Overhead.

As a competitive player, he held high rankings in singles and doubles in the state of State from 19XX to 20XX. He played as a walk-on at The University from 19XX-19XX. In 20XX, he won the City Open in men's 40 and over singles as well as the State Open in men's 40 and over doubles. As a coach, Tennis Pro works with players of all levels. He stresses solid, fundamental technique, enjoyment of the game, and the ability to think and compete at higher levels...with low levels of stress.