



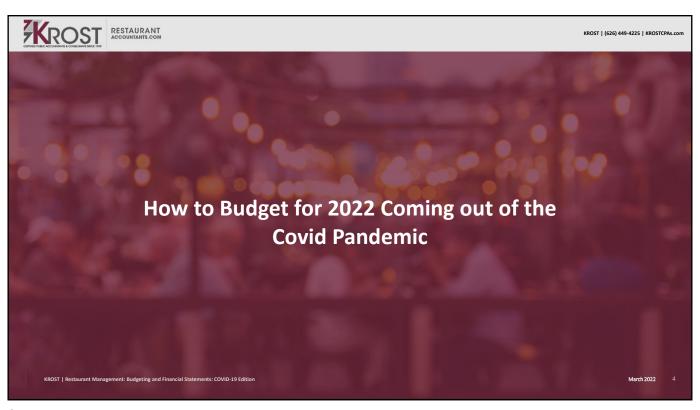
About KROST

- A full-service CPA & consulting firm with 21 partners and just under 200 team members firm-wide.
- Large niche in the foodservice industry for over 80 years. Presently consulting with approximately 120 restaurant companies.
- KROST's services include: Accounting, Assurance & Advisory, Mergers & Acquisitions, Tax Services, Corporate Tax Incentives, Wealth Management
- KBKG is our affiliated company that provides tax specialty services including Cost Segregation, Employment Tax Credits, Research & Development Tax Credits, and Energy Efficiency benefits to clients nationwide.
- KROST Restaurant services include: Site Assessment, Business Accounting, Consulting, Financial Reporting, Tax Consulting & Compliance, Assurance & Advisory

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Creating Operational Assumptions

What are Operational Assumptions based on?

- Hours of Operation
 - o Narrow your focus on your most profitable Daypart(s).
- Projected Operating Mode
- · Historical financial data
 - o Reference similar time periods for the expected Operating Mode
- Key Performance Indicators (KPI's) from Business Intelligence or Point-of-Sale
 - Average Daily/Weekly Sales, Weekday vs. Weekend
 - Daypart Sales
 - o Average Check
 - Daily/Weekly Check Count

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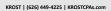


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Creating Operational Assumptions

What are Operational Assumptions based on?

- COGS
 - Most recent 2021 Financial Statement
 - o Costed Menu Items, Product Sales Mix, Theoretical COGS
- Payroll
 - Salary Fixed dollar amount
 - o Hourly Percentage based, Build in Wage Increases, Ideal Staffing Level
- Expenses
 - Fixed Rent, Insurance, Outside Services Calculated by \$
 - o Controllable R&M, Supplies, Utilities Calculated by %





Creating Operational Assumptions

Important Considerations for 2022:

- 2021 saw a return to full restaurant operations for most locations. Identify what modes you were operating in, and when.
- If you were operating in a limited capacity for part of the year, use figures from full operations to create your revenue projections.
- If you were operating in a limited capacity for the entire year, reference the last time period you operated at full capacity as a guide- 2019
- Inflation and the impact on COGS.
- Minimum Wage increases, and the ideal staffing level for your location.

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Calculating Sales Assumptions

Sales Calculations by Operating Mode

- First thing to consider, how were you operating in 2021?
 - o Full, Limited, Takeout and Delivery?
 - $_{\odot}$ Reference multiple time periods on Financial Statements, BI or POS data
- In the following example, we'll look at Sales data from two different time periods where the location was operating in full capacity, 2019 and 2021

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Calculating Sales Assumptions

Sales Calculations

- Here we have 4 separate weeks that the location was operating at full capacity. The top is 2019, Lower is 2021
 - o 2019 total for date range- \$157,369
 - o 2021 total for date range- \$119,726
 - o **2021** Sales are at **76%** of the 2019 Totals

	Week 1	Week 2
	10/29-11/4	11/5-11/11
INCOME		
REVENUE		
FOOD	\$44,898 56.0%	\$44,796 58.1%
LIQUOR	\$3,199 4.0%	\$3,833 5.0%
BEER	\$2,577 3.2%	\$2,451 3.2%
WINE	\$4,774 6.0%	\$4,166 5.4%
NA BEVERAGES	\$19,209 23.9%	\$19,109 24.8%
RETAIL	\$762 1.0%	\$624 0.8%
BANQUET SALES	\$0 0.0%	\$0 0.0%
WHOLESALE COFFEE	\$4,829 6.0%	\$2,142 2.8%
TOTAL REVENUE	\$80,247 100.0%	\$77,121 100.0%
TOTAL INCOME	\$80,247 100.0%	\$77,121 100.0%
	Week 1	Week 2
	10/26-11/1	11/2-11/8
INCOME		
REVENUE		
REVENUE FOOD	\$31,430 54.49	§ \$33,259 53.7%
	\$31,430 54.49 \$2,924 5.19	
FOOD		\$4,683 7.6%
FOOD LIQUOR	\$2,924 5.19	\$4,683 7.6% \$1,123 1.8%
FOOD LIQUOR BEER	\$2,924 5.19 \$1,311 2.39	\$4,683 7.6% \$1,123 1.8% \$1,119 1.8%
FOOD LIQUOR BEER WINE	\$2,924 5.19 \$1,311 2.39 \$1,179 2.09	\$4,683 7.6% \$4,123 1.8% \$5,119 1.8% \$21,631 34.9%
FOOD LIQUOR BEER WINE NA BEVERAGES	\$2,924 5.19 \$1,311 2.39 \$1,179 2.09 \$20,840 36.19	\$4,683 7.6% \$1,123 1.8% \$1,119 1.8% \$21,631 34.9% \$119 0.2%
FOOD LIQUOR BEER WINE NA BEVERAGES RETAIL	\$2,924 5.19 \$1,311 2.39 \$1,179 2.09 \$20,840 36.19 \$110 0.29	\$4,683 7.6% \$1,123 1.8% \$1,119 1.8% \$21,631 34.9% \$119 0.2% \$0 0.0%
FOOD LIQUOR BEER WINE NA BEVERAGES RETAIL BANQUET SALES	\$2,924 5.19 \$1,311 2.39 \$1,179 2.09 \$20,840 36.19 \$110 0.29 \$0 0.09	6 \$4,683 7.6% 6 \$1,123 1.8% 6 \$1,119 1.8% 6 \$21,631 34,9% 6 \$119 0.2% 6 \$0 0.0% 6 \$0 0.0%

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Calculating Sales Assumptions

Reading Between the Lines

- How do we break down Sales by category?
 - Using categorical percentages from the SAME operating modes and periods. It is important to remember that as your Operating Mode shifted, so did your Sales Mix!

	2019		2021	
	Week 1 10/29-11/4	Week 2 11/5-11/11	Week 1 10/26-11/1	Week 2 11/2-11/8
INCOME				
REVENUE				
FOOD	\$44,898 56.0%	\$44,796 58.1%	\$31,430 54.4%	\$33,259 53.7%
LIQUOR	\$3,199 4.0%	\$3,833 5.0%	\$2,924 5.1%	\$4,683 7.6%
BEER	\$2,577 3.2%	\$2,451 3.2%	\$1,311 2.3%	\$1,123 1.8%
WINE	\$4,774 6.0%	\$4,166 5.4%	\$1,179 2.0%	\$1,119 1.8%
NA BEVERAGES	\$19,209 23.9%	\$19,109 24.8%	\$20,840 36.1%	\$21,631 34.9%
RETAIL	\$762 1.0%	\$624 0.8%	\$110 0.2%	\$119 0.2%
BANQUET SALES	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
WHOLESALE COFFEE	\$4,829 6.0%	\$2,142 2.8%	\$0 0.0%	\$0 0.0%
TOTAL REVENUE	\$80,247 100.0%	\$77,121 100.0%	\$57,793 100.0%	\$61,933 100.0%
TOTAL INCOME	\$80,247 100.0%	\$77,121 100.0%	\$57,793 100.0%	\$61,933 100.0%

We can see an increase in Liquor Sales while Beer and Wine Sales have both trended downward

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Calculating Sales Assumptions

Reading Between the Lines

- Did you notice the difference in Sales Mix between the two data sets?
 - o 2019 Wine sales were 5.7% of Total Sales, in 2021 just 1.9%
 - o 2019 Beer sales were 3.2 % of Total Sales, in 2021 just 2.1%
- Takeaways;
 - Sales Mix shifted, heavier NA Beverage Sales
 - Reduced Beer and Wine Sales
 - Increased Liquor Sales
 - o Baseline 2022 Revenue Goals should be around **76%** of 2019 Actual Revenue

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Creating COGS, Payroll & Expense Assumptions

- COST OF GOODS SOLD (COGS)
- COGS percentages can be pulled from your past Financial Statements
 - YTD numbers are a usually a good reference, however, the most recent completed period will be the most accurate given recent cost increases.
 - Recipe and Inventory Management software can also provide you with a costed Product Mix , this will give you a good theoretical target based on your actual sales mix for a given timeframe.
 - These costs will be applied on a percentage basis against sales from the SAME category or department.

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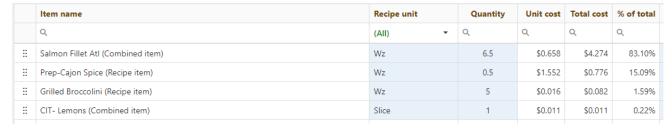
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Leveraging Technology to Control COGS

COGS-Well

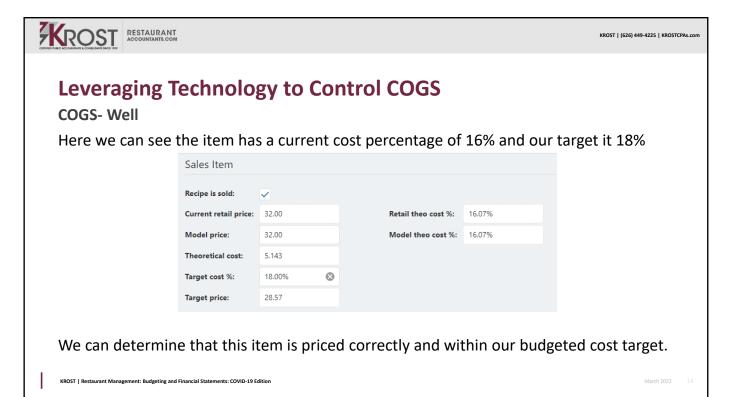
We use technology like COGS-Well to create costed recipes that are tied to both the products you purchase and the items you prepare in-house.



This gives us a clear view of ingredient cost down to the full plated recipe

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Leveraging Technology to Control COGS

COGS-Well

- Cost Percentage warnings if an item goes above your expected cost
- Simplified Inventory recording for more accurate and consistent numbers
- Theoretical Inventory Numbers help to manage Shrinkage and Loss on a per item basis
- Same process can be applied for cocktails and drink recipes We see this is a big opportunity for most companies in 2022

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Creating COGS, Payroll & Expense Assumptions

PAYROLL

- There are 3 crucial categories to assess for labor, Salaried, Hourly, and Other Payroll.
- Hourly Labor This should be analyzed by job with considerations for your Ideal Staffing Level. Using 2021 data can be tricky as many locations were operating with less staff. Cost out your ideal schedule with a full staff and base your budget on those projections.
- Salaried Labor This is your management team. These figures are likely to remain consistent as a **dollar value**. We let the projected sales dictate the cost-percentage that this category carries. With that said, 10% is a healthy target.
- Other Payroll Payroll Tax, Workers Comp, Group Insurance, etc. Applied as a percentage to allow fluctuation when Sales and Labor increase start to increase.



Creating COGS, Payroll & Expense Assumptions

Direct Operating Expenses

- Direct Operating Expenses can be applied based on the overall cost percentage. However, there are some categories that will be further affected by inflation;
 - o China, Silver, Smallwares
 - Laundry/Linen
 - o R & M Lines
 - Supply Lines

These are just a few examples, but if your operation routinely had LARGE expenses in these categories, you should evaluate where you can reduce costs in other categories.

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Creating COGS, Payroll & Expense Assumptions

General & Administrative and Occupancy Expenses

- **G&A** expenses tend to be consistent as a percentage for most operations. Thus, the percentage is applied to allow that dollar value to increase or decrease based on budgeted sales.
- Occupancy can include Fixed Rent, Percentage Rent, Property Tax, and CAM charges.
 - o Fixed Rent Consistent dollar amount each month
 - Percentage Rent Percentage of sales the Operation had agreed to pay the landlord
- * Now is a great time to speak to your landlord about renegotiating your lease!



2022 Budgeting Take-Aways

- Be Prepared to adjust. If the last 2 years have taught us anything it's that we need to be prepared to modify the ways we operate to remain successful!
- Consider a Mid-Year budget review to ensure you operators have an effective budget to manage against.
- Build in room for growth. It looks like costs are going to continue to rise for the time being.

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