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New Horizons Equestrian Center Business Plan

Nicole Mynarich

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NORTHERN ILLINOIS UNIVERSITY

New Horizons Equestrian Center Business Plan

A Thesis Submitted to the

University Honors Program

In Partial Fulfillment of the

Requirements of the Baccalaureate Degree

With Upper Division Honors

Department of

Accountancy

By

Nicole Mynarich

DeKalb, Illinois

December 2008

University Honors Program

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BUSINESS PLAN

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American Horse Council. (2005). *National impact of the U.S. horse industry*. Retrieved on August 5, 2008 from <http://horsecouncil.org/economics.html>.

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State of Illinois; Illinois Department of Revenue. (2007). *Racing board: 2007 Annual Report*. Retrieved on August 15, 2008 from http://www.state.il.us/agency/irb/racing/reports/2007_Annual_Report.pdf.

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ABSTRACT: This thesis is a detailed business plan for a start-up equestrian center specializing in retraining Thoroughbred ex-racehorses. The purpose of the plan is to attract investors and obtain financing for the business. It also provides a guide for the business operations and future growth of the company. It examines the company's purpose, market segment, operations, and financial management to determine the demand and feasibility of the business. This plan is for a start-up business and, therefore, is limited to projections only to make these determinations. Market analysis research included online studies from governmental and nonprofit organizations to gather information on the horse industry, specifically Thoroughbreds. In the United States, there is a surplus of Thoroughbred racehorses born every year, and a very small percentage of those horses remain in the racing industry. Most are retired from racing after only a few lost races and sold to new homes. Based on this research, there is an apparent demand for a Thoroughbred retraining center such as this one.

**NEW HORIZONS EQUESTRIAN CENTER
BUSINESS PLAN**

OWNER

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NEW HORIZONS EQUESTRIAN CENTER BUSINESS PLAN

Mission Statement

New Horizons Equestrian Center's mission is to improve the reputation of the Thoroughbred horse in disciplines outside of racing such as eventing, jumping, and pleasure riding and to educate the public on ex-racehorse retraining. The first and foremost priority of New Horizons is the health and wellbeing of the horse. Our experience in racehorse training and healthcare through the rehabilitation process allows us to provide the best possible care for ex-racers.

Company Goals and Objectives

New Horizons' goal is to develop into a successful horse training facility that is recognized as being the best provider of training and rehabilitation services for ex-racehorses and the top provider of Thoroughbred sport horses in the United States. The company does not plan on entering the breeding industry in the foreseeable future.

Current milestones for reaching this goal include the following:

- Establish an annual growth rate in sales of 10%.
- Achieve maximum boarding capacity by the end of the first year of operations.
- Achieve first year horse sales of \$100,000 as a starting point for annual growth.

Company Description

New Horizons Equestrian Center is a start-up proprietorship with plans to later reclassify as a limited liability company. New Horizons offers training, horse sales, and boarding services for off-track racehorses and horses of other backgrounds. The company is located in Illinois and owned by Nicole Mynarich, CPA. The company is run by the owner and Krisann Wooland, Assistant Barn Manager and Horse Trainer.

The center's primary customers include:

- Mid- to high-income horse owners who need training, rehabilitation, and/or boarding services for their horses and,
- Competitive riders who want to purchase horses for competition.

The company primarily competes in the horse training industry, but its well-rounded services provide stability in any economy. In the event of a downturn in the nation's economy, horse purchases decline but demand for training and boarding remains strong. In a growing economy, horse sales increase and training and boarding services remain strong.

The center specializes in racehorse rehabilitation, behavioral training, and competition training. Because racehorses can be purchased inexpensively off the track, many novice owners go into the transaction not knowing of the complexity involved in re-training these animals. New Horizons not only

offers the training services commonly available at other barns, but also individualized programs to guide owners in rehabilitating their ex-racehorses to a normal state of health and riding capability.

Products and Services

New Horizons Equestrian Center provides a variety of services that will allow the company to succeed in any economy. These services include boarding, training, rehabilitation, and horse sales services catering to ex-racehorses.

Boarding Services:

Our boarding services include stall board with daily pasture time, regular feeding of alfalfa hay and grain, monthly worming, and blanketing service in inclement weather (blankets must be provided by the horse's owner). The horses are brought inside at dusk and turned outside at dawn. Additional customized service options may be provided for additional fees. The following pricing structure will be implemented:

➤ Stall board	\$400 per month
➤ >2lbs grain feeding	\$3 per extra pound
➤ Customized bedding*	\$25 per month
➤ Customized hay*	\$25 per month
➤ Quarantine**	\$15

Grain options provided by New Horizons include complete feed, senior feed, sweet feed, and oats. Other specialty feed and supplements may be provided by the horse owner for feeding at no additional charge to the monthly board rate.

*It is recommended that customized hay and bedding be provided by the horse owner. Since New Horizons does not cultivate its own hay and purchases these materials in bulk, customized products cannot be easily ordered and may cost the client more than if the client provides the customized products himself. The additional fee includes extra labor charges for the customization. New Horizons may order customized hay and bedding for the client with the company's routine bulk orders, but the cost of ordering these materials will be forwarded to the client.

** All new arrivals must be quarantined for one week in solitary pasture time. This is a one-time fee.

Training Services:

Training services include ex-racehorse behavioral training and riding discipline training as well as starting and breaking for young horses.

Rates are charged on a monthly basis. A month of training guarantees five days of work per week by the trainer. Training services include a free assessment of the horse and a realistic discussion of training goals. Weekly progress reports are given to the horse's owner in writing. The following billing rates and specializations for each trainer follow, and are subject to changes:

Nicole Mynarich

- Dressage \$500 per month
- Eventing \$500 per month
- Jumping \$500 per month
- Behavioral \$350 per month

Krisann Wooland

- Starting/breaking \$500 per month
- Behavioral \$500 per month
- Western Pleasure \$500 per month
- Trail/Endurance \$500 per month

Rehabilitation Services:

Rehabilitation services generally require the customized boarding options explained above. Additional services are available for a healthy and speedy rehabilitation. A free initial consultation is provided to the horse owner to determine a plan for the individual horse. Typically, the horse is given one to three months of pasture time before retraining begins. This starts with solitary pasture time, and the horse is slowly integrated with the other horses over the period of two to four weeks. During this time, swimming conditioning may be performed on horses that require therapy and accept this particular procedure. This form of conditioning is especially helpful to ex-racehorses with leg injuries. Other conditioning that can be done is daily hand walking/ lunging. Daily veterinary procedures may also be performed. The following additional fees apply:

- Solitary pasture time \$50 per month
- Swimming conditioning (15-20 minutes) \$30 per day
- Hand walking/lunging (15-20 minutes) \$10 per day
- Veterinary care \$5 per day

Discounts may be available for services performed over an extended period.

Horse Sales Services:

New Horizons also sells horses that are owned by the farm or by other owners on a commission basis. An appraisal of the horse is made before a contract is signed between the trainer and the horse owner. If the horse sells due to the marketing efforts of the trainer, a 20 percent commission is awarded to the trainer. If the horse sells due to the marketing efforts of the owner, the owner keeps all profits.

Lessons

Private lessons on the client's horse will be given on an appointment basis by Nicole Mynarich and Krisann Wooland. Disciplines taught include dressage, hunter/jumper, eventing, reining, and western pleasure riding styles.

- Private 30 minute lesson \$30 per lesson
- Semi-private 30 minute lesson (2 students) \$25 per person
- Group 60 minute lesson (3-6 students) \$20 per person

Leases

Sale horses owned by New Horizons may be leased out on a monthly basis until sold. The contract gives the lessee the right to ride the horse up to three times per week and does not require the lessee to pay for regular veterinary and farrier bills. Any veterinary or farrier bills caused by the rider are the responsibility of the lessee.

- One month lease \$200 per month plus 2 lessons per month

Horse Shows

Horse shows will be hosted by New Horizons Equestrian Center on a monthly basis. Fees may vary depending on the level of show hosted.

- Registration fee \$20 per horse
- Class fee \$20 per class

Clinics

Racehorse training clinics will be hosted by New Horizons Equestrian Center on a semi-annual basis and will be taught by the owner, Nicole Mynarich. Clinics are one-time lessons on various horse training subjects that involve riding participants and auditing spectators. The duration of the clinics may be three to four hours. Clinics may hold up to 10 horse/rider participants and up to 50 auditors. The purpose of holding these clinics is to expand the reputation and clientele of the barn and trainer.

- Registration fee per horse \$200
- Registration fee per auditor \$50

Market Analysis

Due to the current state of the nation's economy and the banning of horse slaughter, the horse market is flooded and sales are down for the average horse. However, sales of horses with training and/or showing experience have remained stable. Horse owners who participate in showing and who purchase training for their horses usually have a higher income level and have not been affected as severely by the economy's downturn. New Horizons Equestrian Center will be able to succeed in the current economy because the center will offer both training for, and sales of, upper-level competition horses. In essence, New Horizons will be catering more horse owners with a higher income level who have the disposable income.

Horse racing is a predominant sport in the United States. There are 1,291,807 Thoroughbred horses in the nation, and they are the second-largest breed behind the American Quarter Horse. Of this total, 559,322 are used for racing purposes. However, not all of these horses remain in racing. Those that do not consistently win races are typically sold, abandoned, or adopted out. This leaves many horses to be bought, re-trained, and entered into the competition and recreational sector of the horse industry, which is exactly what New Horizons intends to accomplish.

Because ex-racehorses tend to be inexpensive yet quality horses, many horse owners purchase ex-racers with little knowledge of their background and training. Ex-racehorses are trained very differently from the average horse and have many issues that must be addressed before turning them into riding horses. This presents a problem for owners because many traditional horse trainers also have little knowledge of the background of ex-racehorses. New Horizons intends to differentiate from traditional horse training by offering a specialized training program for ex-racehorse owners.

The competition and recreational sector of the Thoroughbred horse industry in the United States is larger than the racing sector with approximately 722,485 Thoroughbreds. While Illinois has three major racetracks, 70% of all horses in the state are used for competition or recreation. Competition and recreation is also a much more stable sector than racing. Therefore, the growth potential for New Horizons in this industry is high.

While New Horizons will promote the ex-racing Thoroughbred, other racing breeds will also be catered to, including the American Quarter Horse. To diversify, New Horizons will also offer behavioral and discipline training to all breeds and backgrounds as well. Both of the horse trainers at New Horizons, Nicole Mynarich, CPA and Krisann Wooland, have had many years of experience and education in behavioral and discipline training. New Horizons will also hold horse shows and provide lessons and clinics to riders of all levels in an effort to market the center and raise additional income.

In Illinois, one major competitor exists. Wood End Farms is an established not-for-profit company located in Barrington, Illinois that promotes itself as a Thoroughbred retirement and re-training facility. New Horizons will maintain prestige and a competitive edge by remaining as a for-profit entity that selects only top Thoroughbred racehorses for training and competition rather than accepting all donated Thoroughbreds off the track.

Operations and Management

New Horizons is wholly owned and privately held by Nicole Lynn Mynarich. The company is a limited liability company, which will be determined after consulting with professional consultants, and is located in Illinois. Start-up licensing, permit and registration fees have been included in the financial analysis section of this business plan, as well as legal consultation fees.

The owner, Nicole Lynn Mynarich, is responsible for bookkeeping, sales, purchasing, training, and human resource management. Nicole is a Certified Public Accountant and has both a Bachelor's and Master's degree in Accounting from Northern Illinois University. Her résumé is listed in Appendix A. These business skills are beneficial for the management of New Horizons. In addition, her ten years of experience in riding and training horses will provide the expertise necessary for appraising sale horses and obtaining clients. Nicole's experience includes studying and working under Marie Hoffman of On Eagle's Wings Equestrian Center, a highly regarded horse breeder and trainer in Northern Illinois.

Daily management of the equestrian center is performed by Krisann Wooland. Her expertise in stable management is a large asset to the business because it increases the efficiency of New Horizon's operations. Her résumé is listed in Appendix B. Krisann also has five years of riding and training experience under her belt. She will be in charge of managing part-time employees and coordinating worming, feed, and farrier schedules. She will also assist in training horses when necessary.

Kate Wooland is New Horizon's contracted veterinarian. Kate has had extensive training at Littleton Large Animal Clinic in Colorado, one of the most prestigious equine hospitals in the nation. The center's alliance with Kate lowers veterinary costs for boarded horses and horses in training.

Part-time employees are responsible for the daily chores of the center. These chores include feeding the horses, leading the horses from the pasture to the barn, and other miscellaneous maintenance tasks. The part-time employees may be responsible for operating heavy machinery.

Financial Analysis

Startup Expenses and Capitalization

Business registration fees	
Filing fee for Form LLC-5.5(S)	1,000
Starting inventory	
Horses (10 horses)	20,000
Property (150 stall barn)	1,500,000
Equipment	
Tack	
Saddles (\$1,000 x 5 saddles)	5,000
Bridles (\$100 x 5 bridles)	500
Girths (\$50 x 5 girths)	250
Saddle pads (\$20 x 5 pads)	100
Martingale (\$50 x 1 martingale)	50
Bits (\$20 x 5)	100
Grooming supplies	100
Tractor	8,000
Arena rake	500
Bobcat	15,000
Pickup truck	15,000
Horse trailer	5,000
Swimming pool (for horses)	75,000
Office Supplies	
Computer system and printer	1,000
Accounting/management software	250
Other (paper, pens, post-its, etc.)	150
Contingencies (20% of total startup costs)	<u>329,400</u>
Total	<u>1,976,400</u>

12 Month Profit and Loss Projection

Monthly revenues:

Stall boarding rents (\$400 per month x 150 horses)	\$ 60,000
Horse sales (\$10,000 x 1 horse per month)	10,000
Commissions (20% x \$2000 sales per month)	400
Lessons (\$30 per lesson x 5 lessons per week x 4 weeks per month)	600
Horse training (\$500 per horse x 10 horses per month)	5,000
Horse leases (\$200 per horse x 10 horses per month)	2,000
Horse show fees (\$20 x 50 horses + \$20 x 50 horses)	2,000
Clinic fees (\$200 x 10 horses + \$50 x 100 auditors)	6,000
Concessions (\$5 per person x 70 people)	350
Total monthly revenues	<u>86,350</u>
Revenues per year	<u>\$ 1,036,200</u>

Monthly operating (variable) expenses:

Business registration renewal fees (annual)	250
Hay (\$5 per 60lb bale x 8 bales per horse per month x 150 horses)	6,250
Grain (\$12 per bag x 2 bags per horse per month x 150 horses)	3,600
Bedding (\$11 per bag x 4 bags per horse per month x 150 horses)	6,600
Wormer (\$3.00 per month x 150 horses)	450
Veterinarian fees (\$500 per year x 10 horses / 12)	417
Farrier fees (\$30 per month x 10 horses)	300
Wages (5 part-time employees @ \$7.75 per hour, 25 hours per week)	7,750
Payroll expenses (insurance, SS tax)	5,738
Maintenance	1,000
Office supplies	50
Taxes	8,333
Horse show/clinic expenses	500
Concessions	100
Inventory (horses)	2,000
Tack repair	50
Advertising	100
Postage	420
Fuel	400
Vehicle repair	1,000
Total monthly operating expenses	<u>45,308</u>
Operating expenses per year	<u><u>543,700</u></u>

Monthly fixed overhead:

Loan payments (\$3,000,000 15-year loan at 5.47%)*	\$	24,465
Insurance		1,000
Salaries (3 full-time employees @ \$25,000 per year / 12 months)		2,084
Utilities		1,000
Total monthly fixed overhead		28,549
Fixed overhead per year	\$	<u>342,588</u>

* Interest rate average and monthly payment amount from www.mortgage-lenders-plus.com

Profit and loss projections assume full capacity operations.

Break-even Analysis

The break-even point in sales for New Horizons Equestrian Center is calculated using the following formula, where fixed costs are expressed in dollars and variable costs are expressed as a percentage of sales:

$$\begin{aligned} \text{Breakeven Sales} &= \text{Fixed Costs} / (1 - \text{Variable Costs}) \\ \$ 4,934,017 &= \$2,318,988 / 1 - 0.53 \end{aligned}$$

According to this formula, it will take New Horizons Equestrian Center approximately 2.5 years to break even.

Sources

American Horse Council. (2005). *National impact of the U.S. horse industry*. Retrieved on August 5, 2008 from <http://horsecouncil.org/economics.html>.

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U.S. Census Bureau. (2006). *Three-year-average median household income by state*. Retrieved August 14, 2008 from <http://www.census.gov>.

Appendix A

Nicole Lynn Mynarich

NMynarich@yahoo.com

Permanent Address:

10601 Princess Ave.
Chicago Ridge, IL 60415
(708) 717-1597

Local Address:

837 Hillcrest Dr. #2
DeKalb, IL 60115
(708) 717-1597

OBJECTIVE

A fun, challenging position in the equine industry involving training horses and teaching students.

EDUCATION

Bachelor of Science in Accountancy, December 2008
Northern Illinois University, DeKalb, IL
GPA: 3.68/4.00

Master of Accounting Science, December 2009
Northern Illinois University, DeKalb, IL
GPA: N/A

HONORS AND AWARDS

- College of Business Dean's List, 4 semesters
- University Honors Program, Phase I and II completion
- Centennial Scholarship

WORK EXPERIENCE

Computer Lab Attendant, January 2006-Present
Information Technology Services, Northern Illinois University, DeKalb, IL

- Assist users with navigation of general applications including Microsoft Office 2003/2007
- Monitor users conduct and enforce lab policies
- Received positive comments on all performance evaluations conducted twice a semester

Student Worker, February 2006-Present

On Eagles Wings Equestrian Center, Kirkland, IL

- Assist in coordinating daily care for 30-50 horses and in assuring prompt and reliable feeding schedules in public boarding facility
- Assist with preparation of lessons and Northern Illinois University horseback riding classes
- Earned show experience on barn show team, Summer 2006
- Assist with regular breeding activities such as foal-watching, foal delivery, and imprinting

ACTIVITIES

Beta Alpha Psi, Member, January 2007-Present

- Attend presentations by guest speakers in the accounting profession

Equestrian Team, Member, August 2005-December 2006

- Compete as a team to become the number one Equestrian Team in the region

synchronized swimming coach, works well when given multiple tasks, comfortable with leadership responsibilities.

Honors, Activities, and Volunteer Opportunities:

Girl Scout Association of America	1992 to Present
YWCA Synchronized Swimming Assistant Coach Volunteer	2000-2004
Little Angels Home for Children with special needs Volunteer	1996-2002
Assistant Director of the Arts Congregational Church	1997-1999
HDJ Booster Scholarship	2004
Towne Cleaners Scholarship	2004
Working student at horse breeding and training farm	2005-2008

Computer Skills/ Experience:

Windows, Office 97, Office 2000, Microsoft Word, Microsoft Excel, Microsoft Power Point, Adobe reader 5.0/ 6.0, Real Player, Quick Time Player, Windows Media Player, Norton Anti-Virus, Windows Vista