Anyone working in the lodging segment of the hospitality industry has certainly heard that a new edition of the Uniform System of Accounts for the Lodging Industry (USALI) has been released. There are many changes to the 11th revised edition which will impact the financial statements of lodging properties. The Financial Management Committee (FMC) of the American Hotel & Lodging Association (AH&LA) is responsible for assessing when a new edition of the USALI is warranted and then editing and updating the publication. The FMC consists of members from all segments of the lodging industry and includes representatives from hotel owners, asset managers, hospitality management companies, brand franchising organizations, independent properties, owner-operated hotels, consultants, benchmark reporting firms, academia and certified public accountants. You can be assured that every facet of the lodging industry had a say in the updating of this very important resource including industry associations. To get further insight on this process, please read "USALI: The New Guidelines and Operating Statements for 2015" on page 30.

Oftentimes, the USALI is referred to as the "Hotel Accountants Bible," because it offers basic guidance on everything accounting for the lodging industry. The primary purpose of this publication is to offer operating statements formatted to provide hotel owners, managers and other interested parties with operational information pertinent to the lodging industry. Historically, the USALI focused on presenting information in accordance to the Generally Accepted Accounting Principles (GAAP) in the United States. In the 11th edition, the FMC continued to present information based on U.S. GAAP, but in order to address the globalization of the lodging industry, certain items were adjusted to address issues in a more global manner.

The effective date of the 11th edition of the USALI was January 1, 2015; so, if you haven’t already, you need to start incorporating these changes into your accounting system. Legally, operators are not bound to use the 11th edition, but many organizations have management agreements which require conformity to the “current” edition of the USALI. Due to many of the changes, some performance measures will change from one year to the next, causing inconsistencies for comparison purposes. For this reason, many of the benchmarking organizations will require their participants to report using the 11th edition.

The following provides a glimpse of the changes and is not meant to be comprehensive. It would be a good idea for your company to purchase a copy of the 11th revised edition, if you haven’t already. There is a lot of great information in this publication and extended resources that were not available before such as an eText, downloads and online support.
**Summary Operating Statement**

- "Rentals and Other Income" has been changed to "Miscellaneous Income"
- "Revenue" has been changed to "Operating Revenue"
- "Total Revenue" has been changed to "Total Operating Revenue"
- "Information and Telecommunications Systems" has been added as an "Undistributed Operating Department"
- "Fixed Charges" has been changed to "Non-operating Income and Expenses"
- "Net Operating Income" has been changed to "EBITDA" (Earnings Before Interest, Taxes, Depreciation and Amortization)

Two Summary Operating Statement formats have been developed:

- For Operators:
  - A Replacement Reserve is deducted from EBITDA
  - The bottom line is "EBITDA less Replacement Reserve"
- For Owners:
  - Interest, Depreciation, Amortization and Income Taxes are deducted from EBITDA
  - The bottom line is "Net Income"

**Operating Schedules**

- Multiple Departments
  - A new section was added to offer further guidance on gross vs. net basis
  - Information was added on how to handle surcharges, service charges and gratuities
  - Several changes were made to Labor Costs and Related Expenses:
    - Management and non-management personnel are presented separately and then aggregated in salaries and wages
    - Service Charge Distribution is presented as a cost category within Salaries, Wages, Service Charges, Contracted Labor and Bonuses
    - Contracted, leased and outsourced labor costs are presented separately
  - Cluster services and department-specific reservations expenses were added as accounts
  - Administrative telecommunications expenses are now recorded in Information and Telecommunications Systems
- Rooms Department
  - Rooms revenue segmentation has been expanded to better reflect current industry standards
  - Resort fees are recorded in Miscellaneous Income and are not included in the calculation of the average daily rate
  - Further guidance is provided for mixed-ownership lodging facilities
  - Package revenue allocations and package breakage were both addressed in further detail
- Food and Beverage Department
USALI 11th EDITION CHANGES (CONTINUED)

- Food and beverage information is presented on the same schedule
- Gift certificate revenues were addressed with enhanced guidance
- The term “cover” was replaced with “customer” to reflect the number of individuals served

- Other Operated Departments:
  - Telecommunications is no longer an Other Operated Department

- Miscellaneous Income
  - Resort fees and package breakage are recorded in Miscellaneous Income
  - Guidance is provided on the handling of commissions, business interruption insurance, foreign currency exchange, unused or forfeited gift certificates, and interest income

- Undistributed Departments
  - All system-related technology expenses are consolidated in the Information and Telecommunications Systems Department
  - Non-guest-related foreign currency exchange income and expenses are addressed in further detail
  - The separation of sales and marketing expenses has been eliminated
  - Revenue management and catering sales functions are categorized as sales and marketing expenses
  - Utility taxes was eliminated as a separate expense category
  - Contract Services was added as an expense category on Utilities to incorporate the cost of energy audits

- Non-operating Income and Expenses
  - The net revenue generated by ownership that is not managed/maintained by the hotel is recorded as Non-Operating Income
  - Asset management fees, receiver fees, and owner-directed market studies/audits should be recorded in a new category called Owner Expense

- Financial Statements
  - Revenue and expense categories have been added to the Income Statement to reflect changes to the Summary Operating Statement
  - A Statement of Comprehensive Income was added
  - Reference to International Financial Reporting Standards (IFRS) was added
  - Gift certificates and cards were removed from Other Current Liabilities and made a separate line item
  - Further guidance was provided on inventories, operating equipment, and pre-opening expenses

- Financial Ratios and Operating Metrics
  - The name of this section was changed from “Ratios and Statistics” to “Financial Ratios and Operating Metrics”
  - Ratios are provided for both operating and undistributed departments
  - Key ratios are presented for each department
  - A labor cost schedule is provided to detail labor cost data for each department
  - Additional utility and waste consumption ratios are provided

- Revenue and Expense Guide
  - Information is provided for both revenues and expenses
  - The Revenue and Expense Guide is now available in electronic format and is searchable and sortable