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USALI Update



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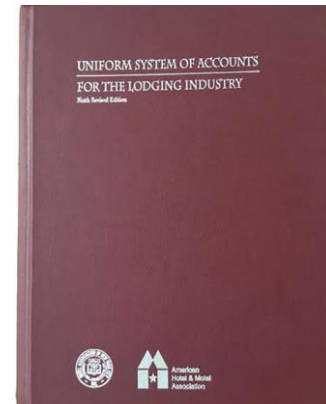
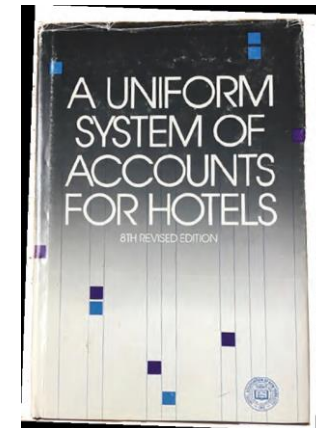
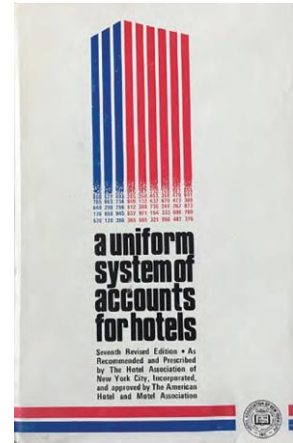
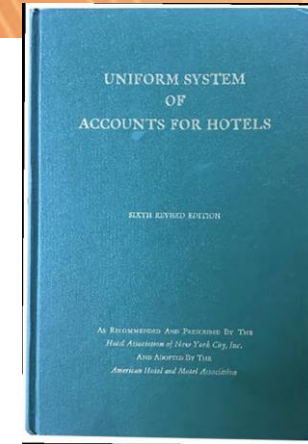
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USALI Background

First published in 1926, the primary purpose of the USALI is to offer operating statements formatted to provide hotel owners, managers, and other interested parties with operational information pertinent to the lodging industry. Since 1926 the text has gone through 11 revised editions.

In 2018, staying true to the purpose of the organization, which is *“to lead and advance the hospitality profession by providing a forum for continuous learning and knowledge sharing,”* HFTP acquired the copyright to the USALI, which was previously owned by the Hotel Association of New York City.





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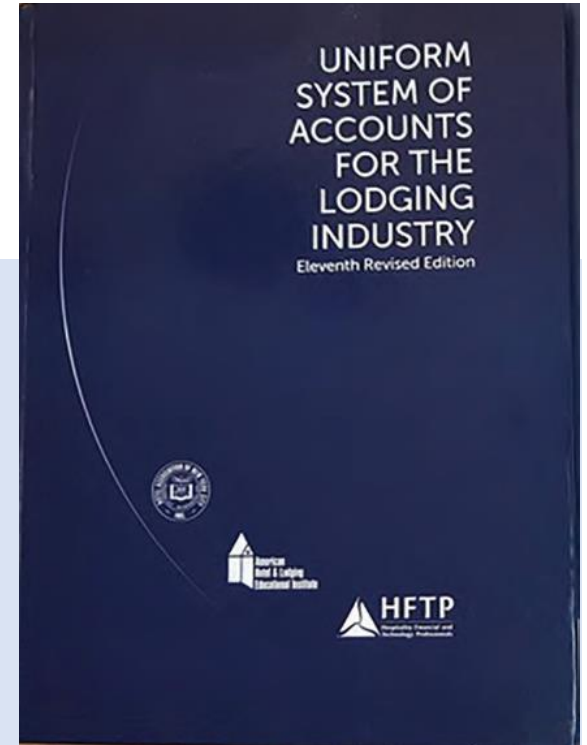
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HFTP's goal was to lean on its resources as an international organization to drive greater global adoption of the USALI.

"HFTP's goal is to be a source on finance and technology for the hospitality industry; and owning the rights to the USALI, an essential resource used across the industry, aligns directly with this directive," said HFTP Global President Timothy Nauss, CHAE.

"With the new ownership responsibility, HFTP will continue to prioritize the evolution of the guidance within the USALI to reflect the changing nature of the hospitality industry."





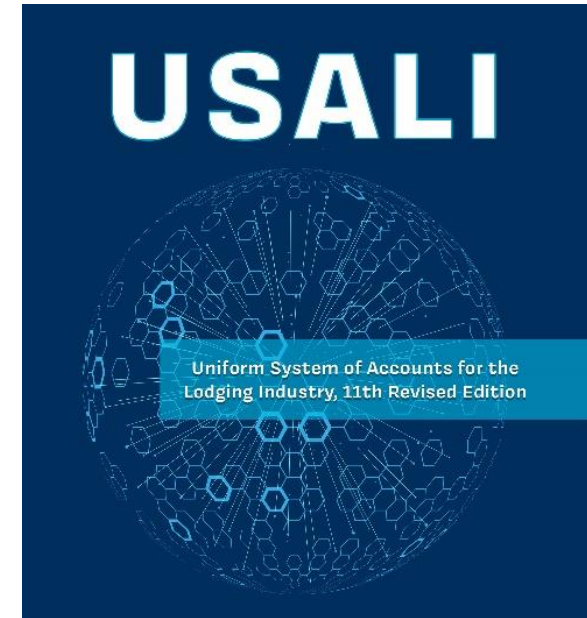
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Soon after acquiring the copyright, HFTP® and the American Hotel & Lodging Association (AHLA) formed a co-sponsored committee (the Global Finance Committee) to update and expand the current USALI 11th Edition based on US GAAP with consideration of international standards (IFRS). This new 12th Edition will become the standard for financial and operating reporting for the lodging industry globally.

The Global Finance Committee (GFC) is comprised of financial leaders from the largest U.S. and international hotel brands, operators and owners. The GFC's first order of business was to work on a revision of the current 11th Edition.



HFTP
An International Association

AHLA
AMERICAN HOTEL & LODGING ASSOCIATION



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The Global Finance Committee

Diverse Membership

- AHLA Financial Management Committee and HFTP members:
 - Owners / owner representatives / asset managers
 - Brands / operators / management companies
 - Educators / public practice / consultants / reporting firms



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The Global Finance Committee

- Questions to USALI@hftp.org.
- GFC Sub-Committee to research and reply.
- Guidance and FAQ published as issues are identified.
- https://www.hftp.org/hospitality_resources/usali_guide/usali_supplemental_resources/



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USALI Development Process

- GFC sub-committees address different chapters in the book.
- Entire GFC votes on changes.
- Input sought from other industry stakeholders:
 - Other trade associations.
 - International industry organizations.



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USALI Development Process

Overall Philosophies

- U.S. GAAP guided with references to IFRS.
- GAAP trumps USALI for tax and public reporting.
- USALI format should be used for presentation of lodging property financial statements.



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USALI Development Process

Overall Philosophies

- Guide for Operations and Management Reporting.
- Many contractual agreements require definitions / calculations which conform to USALI.
- No (or limited) options to avoid ambiguity = conformity.



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USALI Development Process

Updates and Changes

- User feedback, industry trends and points of reference.
- Changes in US GAAP, IFRS, or regulatory environment.
- Clarity of definitions, impact on users.



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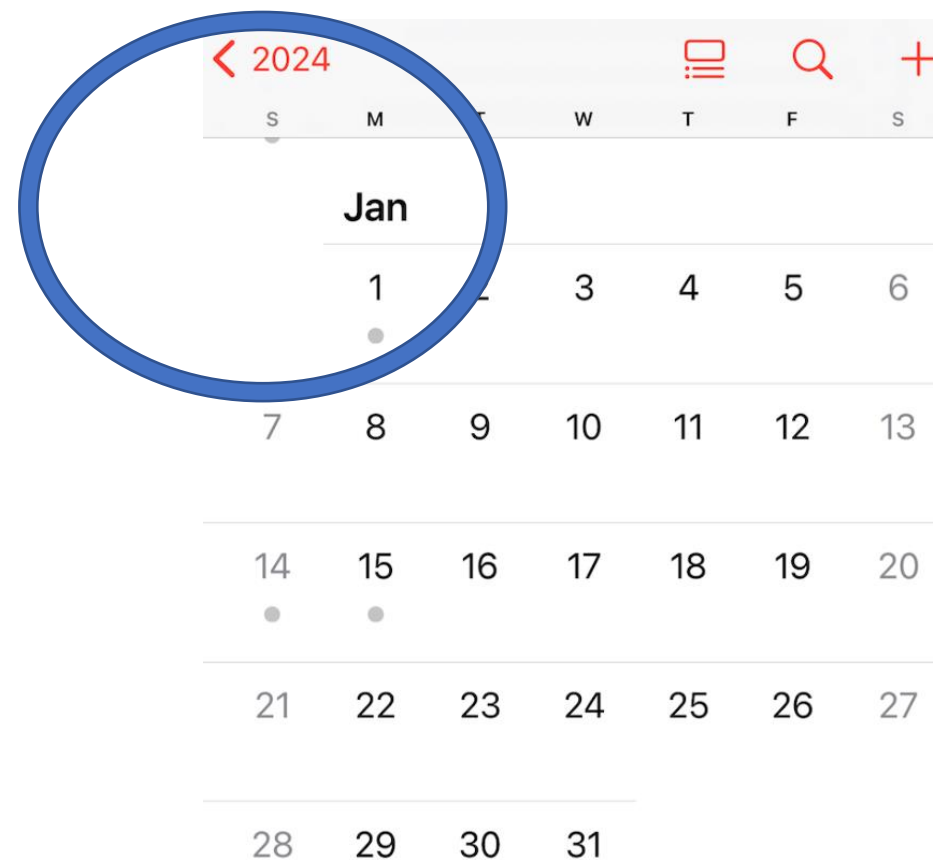
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USALI Development Process

Timeline

- Meetings began in 2020
- Industry exposure draft period began December 2021
- Other sections to be completed in the next few months
- Effective Date January 1, 2024





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Balance Sheet



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Significant Changes

A general reminder was added to highlight that not all assets and liabilities are accounted for by the hotel manager and that delineation of responsibility between hotel manager and hotel owner is of paramount importance.

“Deferred Income Taxes - Current” assets and liabilities have been removed to be consistent with the requirements of U.S. GAAP. All Deferred Income Tax assets and liabilities are to be reflected as noncurrent under U.S. GAAP.

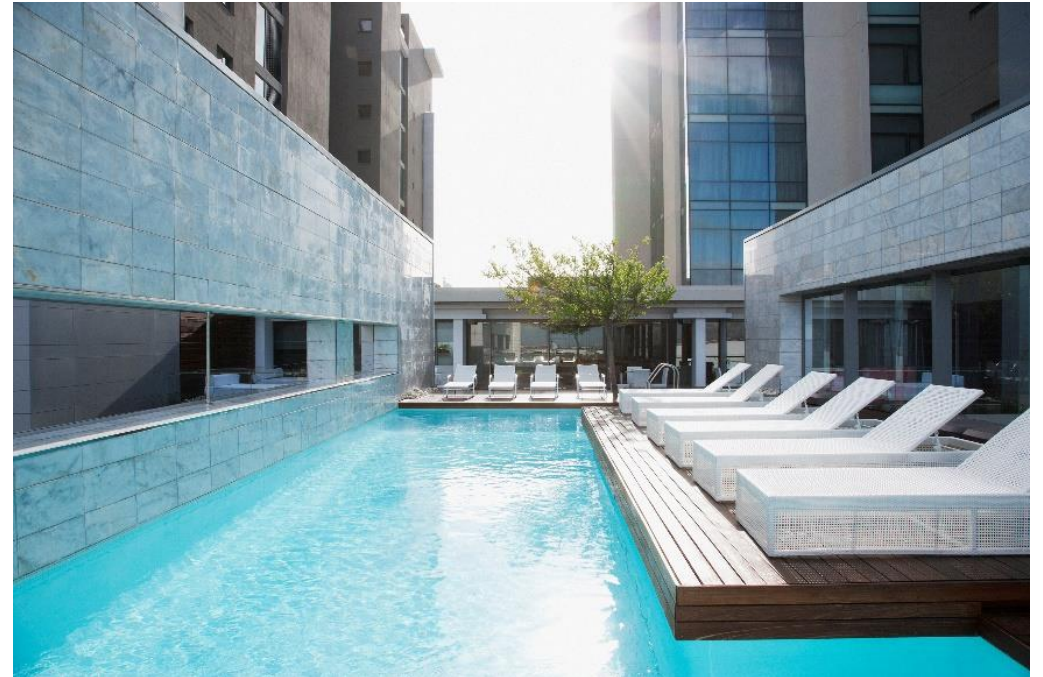


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“Unrealized Gains or Losses” has been added as a caption to record the associated unrealized gains/losses for (1) Investment properties electing the fair value model under IFRS and (2) Equity investments that have readily determinable fair values, consistent with the requirements of U.S. GAAP.





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“Right to Use (ROU) Asset”, “Lease Liability – Current” and “Lease Liability – Noncurrent” are added as balance sheet captions to reflect the changes in lease accounting under U.S. GAAP and IFRS.

“Pre-opening Expenses” has been removed to be consistent with the requirements of U.S. GAAP.



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“Key Money” was added as an Other asset caption given its increased occurrence in practice.

“Cash Surrender Value of Life Insurance” was eliminated as a separate balance sheet caption given its limited occurrence in practice.



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Property and Equipment

Land

Buildings

Leaseholds and Leasehold Improvements

Furnishings and Equipment

Unrealized Gain/Loss

Construction in Progress

Total Property and Equipment

Less Accumulated Depreciation and Amortization

Net Property and Equipment

Other Assets

Intangible Assets

Right of Use Asset

Deferred Income Taxes—Non-current

Operating Equipment

Restricted Cash

Key Money

Other

Total Other Assets

Current Liabilities

Notes Payable

Banks

Others

Total Notes Payable

Due To/From Owner, Management Company or Related Party

Accounts Payable

Accrued Expenses

Advance Deposits

Income Taxes Payable

Lease Liabilities - Current

Current Maturities of Long-Term Debt

Gift Certificates and Cards

Other

Total Current Liabilities

Long-Term Debt, Net of Current Maturities

Mortgage Notes, other notes and similar liabilities

Lease Liabilities - Non-current

Total Long-Term Debt



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Schedule 7 – Sales and Marketing



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Significant Changes

Modernized to incorporate recent changes and emerging trends in marketing systems and tools, CRM systems and sales channels.

Various clarifying changes for new types of expenses and to address user questions and feedback as well as conforming changes for common expense categories.



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New job titles and accounts added to reflect increased use of digital marketing roles and tools.

New accounts include:

Digital – Paid Search

Digital – Display, and

Digital – Social



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- Expanded guest loyalty program accounts:
 - Program Costs (Sales and Marketing – Schedule 7) – Assessments to hotels for points earned from purchases and opting out of services (e.g., housekeeping).
 - Promotion Costs (Sales and Marketing – Schedule 7) – Cost of points for specific promotions (double points, airline promotions, etc.).
 - Loyalty Program Member Benefits (Rooms – Schedule 1) – Cost incurred by hotels to provide member benefits (e.g., concierge lounge F&B, labor, etc.).
 - Service Recovery (A&G – Schedule 5) – Points to guests to remediate service issues.



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Other Expenses

Advertising — Print, Radio and TV

Cluster Services

Complimentary Services

Contract Services

Corporate Office Reimbursables

Decorations

Digital — Paid Search

Digital — Display

Digital — Social

Direct Mail

Dues and Subscriptions

Entertainment—In-House

Equipment Rental

Familiarization Trips

Franchise and Affiliation Marketing

Franchise and Affiliation Fees—Royalties

Graphic Design

Loyalty Program Cost

Loyalty Program — Promotion Costs

Marketing Agency Fees

Miscellaneous

Operating Supplies

Outside Sales Representation

Outside Services Market Research

Outside Signage

Photography and Videography

Postage and Overnight Delivery Charges

Printed Collateral

Promotion

Trade Shows

Training

Travel—Meals and Entertainment

Travel—Other

Uniform Laundry

Website

Total Other Expenses



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*Schedule 9 - Utilities to
Energy, Waste, and Water
(EWW)*



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As the World Advances on Environmental & Sustainability...The Lodging Industry Needs to Catch up

First of many steps, as environmental, and sustainability objectives and measures will continue to change with the needs of our planet.

Hotels are increasingly required to report to customers, investors, and regulators on their sustainability. The new reporting standards proposed by the GFC will serve as a common benchmark for the lodging industry.



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Cooperative effort of HFTP and AHLA. Members of the GFC include the major hotel brands, managers, owners and advisors.

GFC solicited feedback from industry leaders on sustainability and environmental reporting, including Greenview.



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The Need to Advance

- Energy, Water, and Waste (“EWW”) need to be consolidated in one place for hotels to accurately record all related expenses.
- Standardized metrics for hotels of all sizes.
- Tools for consumption tracking.





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Interested Parties

- Corporate travel planners and individual travelers increasingly are asking the question of what a hotel is doing to reduce its carbon footprint.

- Required in many RFPs
- Medium / small operations
- Independent operators
- Consultants
- Government for regulatory purposes
- Government as a client



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Significant Changes

Reclassifying waste expenses from the Property Operations and Maintenance Schedule to the Energy, Water, and Waste (EWW) Schedule.

Expanding Energy and Water with more detailed accounts and descriptions.

Offering new EWW metrics to align with existing industry metrics.

The New Schedule 9

Energy, Water & Waste

Energy

Electricity

Fuels, Gases & District Energy

Renewable Energy

Vehicle Fuels

Total Energy Expense

Water and Sewer

Municipal Water

Other Water

Sewer

Total Water & Sewer Expense

Waste

Landfill or Incinerated

Recycled Waste

Composted Waste

Other Diverted

Total Waste Expense

Contract Services

Total Energy, Water & Waste Expenses



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Fuels, Gases & District Energy

- The cost of fuels, gases, and district energy used in lodging properties is charged to this account and would include taxes/assessments and any bulk/future purchase fees or allocations. Below are the common fuels and gases:
 - * Natural gas
 - * Propane
 - * Butane
 - * Fuel oil
 - * Purchased/district chilled water
 - * Other
 - * Purchased/district steam
 - * Purchased/district hot water
- Lodging properties may choose to create sub-accounts for these to track usage as desired for individual departments.





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Renewable Energy

- Cost of renewable energy (e.g., solar and wind), either purchased from outside producers or generated, is charged to this account and would include the cost of renewable attributes (e.g., renewable energy certificates or guarantee of origin), any taxes/assessments and any bulk/future purchase fees or allocations.
- Does not include capital expenditures for installing onsite renewable energy sources.





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The Metrics



Hotels come in different sizes, and resources to monitor and understand all regulations vary from property to property.



To start, hotels should monitor and track the components necessary to understand its own environmental impact.



Metrics such as energy consumption per occupied room ("POR"), water consumption POR, and waste production POR are important components of understanding and reducing a hotel's utilities cost and environmental impact.



For hotels that are part of a brand, these companies will typically support the calculation within their global brand databases and are being contacted by clients for information on hotels within their respective brand.



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Cost & Consumption Metrics

Cost Metrics:

1. Energy Cost per kWh
2. Water Cost per gal or m³
3. Waste Cost per lb or kg

Consumption Metrics:

1. Energy (kWh) used per square feet/meter ("Energy PSF" or "Energy PSM")
2. Water (gal or m³) consumed "Water POR" or "Water PAR"
3. Waste (lb or kg) generated "Waste lb POR" or "Waste kg POR", or "Waste lb PAR" or "Waste kg PAR"

Carbon Emissions-Carbon Footprint-Green House Gases.





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*Schedule 11 –
Non-Operating
Income and Expenses*



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Significant Changes

The addition of “Leasing Income” to capture lease income generated by the facility that is associated with leasing activity managed by the Owner (including common area maintenance (CAM) recoveries).

Clarification that “Cost Recovery Income” represents income collected from third parties for the recovery of CAM and out-of-pocket expenses for leases managed by the operator. Similarly, “Costs Recovery Expenses” was clarified to relate to recoverable expenses under leases managed by the operator.



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Clarification that “Business and Occupation Taxes” include gross receipts taxes on revenues and other direct taxes.

“Pre-opening Expenses” has been added as an Other expense to be consistent with the requirements of U.S. GAAP.



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“Rent” was updated to reflect the changes in lease accounting under U.S. GAAP and IFRS.

Non-Operating Income and Expenses—Schedule 11

Income

Lease Income

Cost Recovery Income

Interest Income

Other Income

Total Income

Rent

Land and Buildings

Other Property and Equipment

Total Rent

Property and Other Taxes

Business and Occupation Taxes

Other Taxes and Assessments

Personal Property Taxes

Real Estate Taxes

Total Property and Other Taxes

Insurance

Building and Contents

Liability

Deductible

Total Insurance

Other

Cost Recovery Expense

Gain/Loss on Fixed Assets

Owner Expenses

Pre-opening Expenses

Unrealized Investment Gains or Losses

Unrealized Foreign Exchange Gains or Losses

Total Other

Total Non-Operating Income and Expenses



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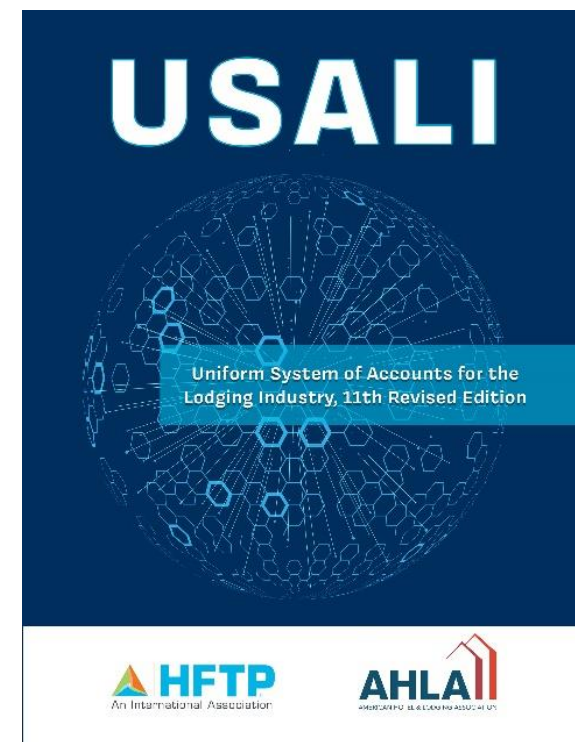
Access to the USALI – 11th Edition

Online
Subscription

- Pay monthly or annually
- Access via desktop or mobile device

Softcover
Book

- Traditional printed book, softcover edition





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Access to the USALI – 12th Edition



What if I purchase a subscription, and the one-year subscription period overlaps with the 12th Edition release?



The subscription will **cover both editions**, so subscribers will be able to access both regardless of when purchased as long as the subscription is current.



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HFTP ACADEMY

Being The Resource For The Hospitality Industry



USALI CERTIFICATE PROGRAM

Powered by





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The USALI-11 Theory Certificate course covers the layout and content of the financial statements for each operating department and undistributed departments. In addition, the course reviews the Non-Operating Income and Expense section, Net vs Gross Revenue reporting and the ratios provided in the 11th Edition.

USALI - THEORY





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The USALI-11 Practice — Analysis & Compliance Certificate course takes the knowledge base from the theory course and apply numbers to it and provide insight on how best to analyze and interpret the information in the financial statements. Emphasis are placed on vertical analysis, horizontal analysis, and ratios.

USALI – PRACTICE

(Analysis & Compliance)





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The course connects benchmarking as an essential tool for any profitability tool chest. Each course module is organized to explain the concepts and provide practical application, incorporating these concepts into daily, weekly or monthly analysis. *A special feature: HotStats*, well-known hospitality data provider, has collaborated with HFTP and Ascend to add in real-world examples of applications. Using fictional hotels but actual data, reporting examples will be incorporated to allow for immediate application of new skills within your own organization.

THE CERTIFICATE CONCENTRATES ON THESE AREAS:

Basics of Operational Benchmarking

(KPIs) Meet the KPIs and Indices

My Hotel's P&L

Choosing the Proper Competitive (Comp) Set



Benchmarking



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OPEN FORUM

Input, Feedback & Questions

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