

# What is the Uniform System of Accounts for the Lodging Industry? (Why does It Matter?)

## **Summary Description:**

An explanation as to what the Uniform System of Accounts for the Lodging Industry (USALI) is, its origins in 1926 and evolution to today's 11<sup>th</sup> Edition. The presentation includes its importance in hotel management, financial reporting, and contracts.

## **Presentation Summary:**

The Uniform System of Accounts for the Lodging Industry (USALI) was first published by a committee of the Hotel Association of New York City (HANYC) in 1926. The committee was chaired by E. M. Statler the founder of Statler Hotels. Among the other eight Proprietary Committee members were the then owners of The Waldorf-Astoria, Hotel Astor, Hotel Willard and Hotel Commodore. The Accountants' Committee included the comptrollers of those hotels and others including Hotel Pennsylvania, The Biltmore, The Plaza and, of course, the Statler Hotels Company. The committee was chaired by William J. Forster, CPA as in PKF. The New York State Society of CPAs and the AICPA were also represented.

The group saw the need for common financial language and to be able to compare statistics. It would also evolve that it would help in valuing hotels which at that time was done primarily by CPA firms. The common statistical formulas such as Revenues and Costs per Available Room and per Occupied Room, what denominator are used for calculating various percentages evolved to be critical benchmarks for owners and managers even today.

In 1961 the American Hotel & Lodging Association (AH&LA) published a separate edition for small hotels. That format, which was very similar to the larger hotel edition, was updated twice until 1996 when the two systems were combined. Until last year the copyright for the USALI was still owned by the HANYC but it recently sold the copyright to the Hotel Financial and Technology Professionals Association (HFTP) which is the successor to the original Accountant's Committee.

Periodic revisions of the USALI, which are prepared every four to seven years, are written by the Financial Management Committee of the AH&LA. It is comprised primarily of representatives of

hotel ownership and management but also includes representation from accounting, franchising, CBRE/PKF Research and Smith Travel Research.

The USALI is referenced in numerous types of agreements relating to the hotel industry such as mortgages, management agreements, franchise agreements, leases, and other documents. Important provisions in these agreements are tied to the USALI and impact base fees, termination, incentive fees, and other triggers or thresholds for both parties. Usually it is prefaced with the words, “the latest edition” in order to require the parties to keep current with latest standards. The latest edition is the 11<sup>th</sup> Edition published in 2014. As in the past, it is consistent with US GAAP. Future editions are expected to become consistent with the International Financial Reporting Standards (IFRS).

Why are there successive editions? Because the hotel industry, its investors, the market and technology keep evolving. Think of things like market segmentation, distribution channels, telephone technology, guest room technology, etc. Also think of changes to payroll - for instance, hotels don't have Seamstresses anymore but we do have Social Media Managers.

The round table discussions after the presentation will delve into these issues and the changes that are in the current edition. The conference web site will have additional information attendees can download.