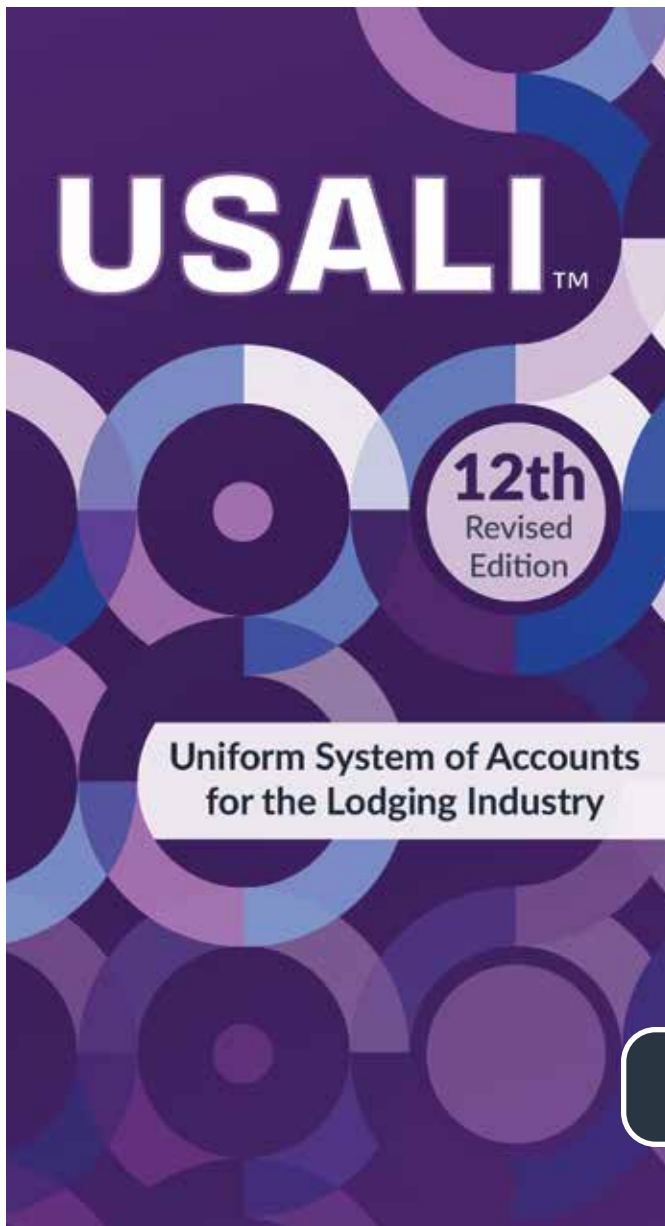


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The USALI 12th Revised Edition, An Expert Overview of the Updates

A decade since the last release, this edition offers tools for better transparency and adaptations to evolving accounting standards and industry practices.



By Robert Mandelbaum

The Uniform System of Accounts for the Lodging Industry (USALI™) serves as the global authoritative guidance for reporting revenues and expenses on hotel operating statements. The term operating statement is intentional because the document is designed to provide hotel owners, operators, and other interested parties with the information needed to effectively identify and analyze the factors that impact performance and profitability.

The revisions were written by the Global Finance Committee (GFC), a joint forum sponsored by HFTP and the American Hotel and Lodging Association (AHLA). Members of the GFC consist of representatives from ownership, management, brand, education, research, consulting, asset management, and accounting firms. The diversity of the GFC allows for input and feedback from multiple viewpoints across a variety of industry participants from across the globe.

First published in 1926, the *USALI* periodically undergoes revisions to align with the evolving landscape of hotel operations and accounting standards. It has been a decade since the 11th Revised Edition was published, and some significant industry and global shifts were accounted for when this latest revision process began. A guiding principle of the revisions was enhancing transparency in reporting and broadening data sets to better inform decision-making. As a result, revenue and

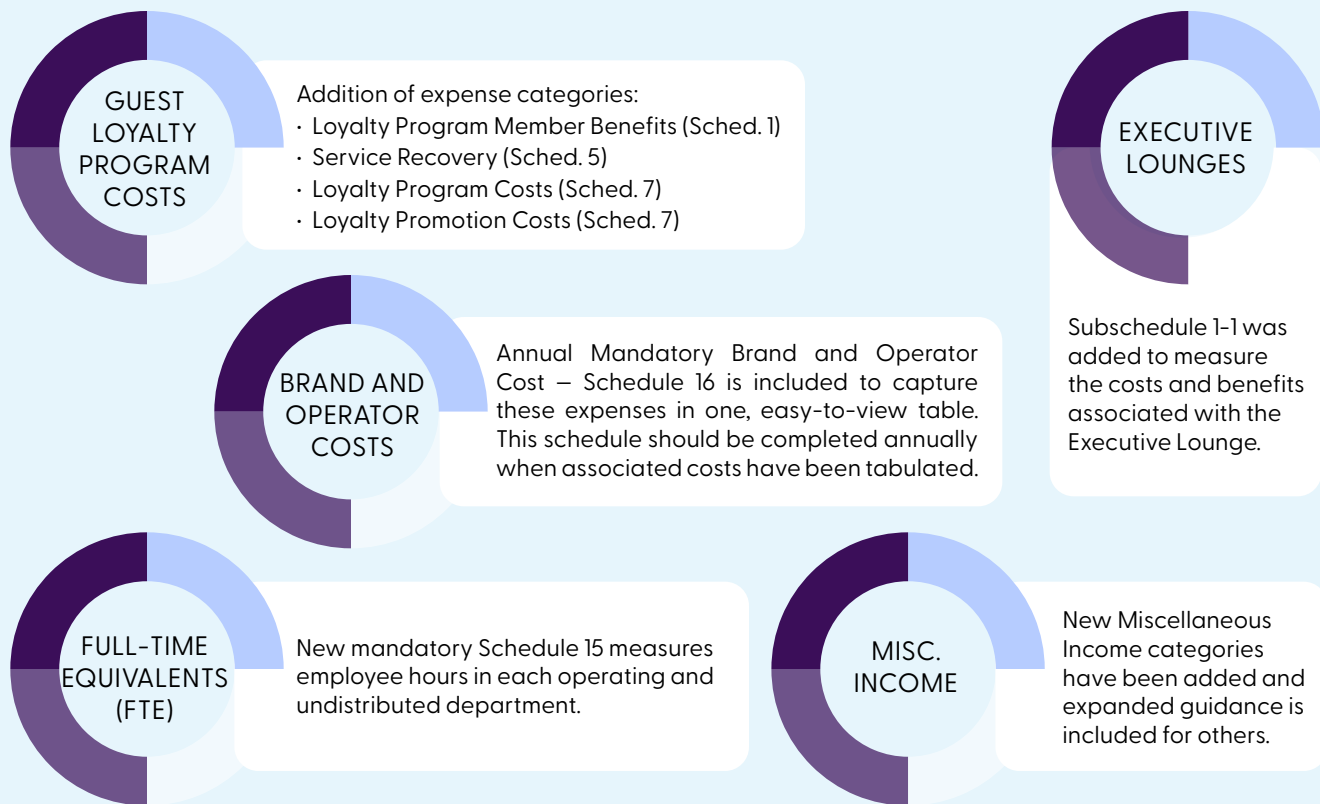
The adoption date for the USALI 12th Revised Edition is **January 1, 2026**.

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Increased Transparency

Industry professionals are increasingly savvy and dependent on the use of data to inform decisions. Accordingly, priority is placed on accessing the most relevant data as efficiently as possible. Because of this, the following has been added.



expense categories, such as guest loyalty program costs and executive lounge expenses, have been enhanced. In addition, entirely new schedules for Payroll Full-Time Equivalents (FTE) and Annual Mandatory Brand and Operator Costs have been introduced.

In line with evolving sustainability reporting trends, the Utilities Schedule has been replaced by a new Energy, Water, and Waste (EWW) Schedule. This facilitates improved reporting and benchmarking of EWW consumption and expense while providing a roadmap for tracking greenhouse gas emissions, thereby addressing the increasing Environmental, Social, and Governance (ESG) reporting requirements.

Another significant change is the introduction of a section dedicated to the reporting of revenue and ex-

penses for all-inclusive hotels which have unique pricing and operating models. This new guidance enables benchmarking of key performance metrics and operating analyses across this expanding segment.

What follows is an overview of the updates made for the 12th Revised Edition.

Increased Transparency

Lodging industry professionals are increasingly savvy and dependent on the use of data to inform the decisions they make. Accordingly, priority is placed on accessing the most relevant data as efficiently as possible. Because of this, the following new revenue and expense categories were added.

Guest Loyalty Program Costs

Capturing guest loyalty has become an important tactic for hotels to

increase market share and sustain profitable operations. Consumers continue to show interest in their loyalty program member benefits when staying at their preferred hotels. As these programs increase in popularity and use, so does the cost to operate them. In fact, loyalty program costs are rising at a greater pace than brand royalty fees, marketing assessments, and reservation assessments.

In recognition of the importance of this category, the following expense categories have been added across multiple departments.

- **Loyalty Program Member Benefits (Rooms — Schedule 1).** Costs incurred by hotels to provide member benefits (e.g., concierge lounge, food and beverage, labor) and loyalty points provided for opting out of services (e.g., housekeeping).

- **Loyalty Program Costs (Sales and Marketing — Schedule 7).** Assessments to hotels for points earned from purchases.
- **Loyalty Promotion Costs (Sales and Marketing — Schedule 7).** Cost of points for specific promotions (e.g., double points, airline promotions).
- **Service Recovery (Administrative and General — Schedule 5).** Points to guests to remediate service issues.

Also, in Part V Ratios, Metrics, and Optional Schedules, a new metric has been added to measure the Loyalty Member Contribution Rate.

Executive Lounges

An offshoot of guest loyalty programs' popularity is the emergence of Executive Lounges. Because of this, it's imperative to track the associated revenues and expenses on a discrete basis. With this data, owners and operators can effectively measure the costs and benefits associated with these operations.

For hotels that incur significant Executive Lounge revenues and expenses, there is a new Executive Lounge — Subschedule 1-1 in the Rooms Department. In addition, Executive Lounge revenue is now a subcategory within Other Rooms Revenue.

The formatting of Subschedule 1-1 is similar to Food and Beverage — Schedule 2 expenses. It captures all the labor, cost of products consumed, and other expenses that are directly incurred by the Executive Lounge operation. The sum of the costs identified in Subschedule 1-1 are then allocated to two new expense categories within the Rooms Department: Executive Lounge Expenses and Loyalty Program Member Benefits.

Full Time Equivalents (FTE)

Labor is the largest expense for hotels, typically averaging 30 per-

cent of revenues and 40 percent of expenses. Historically the *USALI* tracked salary, wage, and benefits expenditure data across multiple labor categories. However the previous edition did not mandate the production of these labor cost metrics.

To help with this type of calculation, a new mandatory schedule has been added. The Full-Time Equivalent (FTE) — Schedule 15 measures employee hours in each operating and undistributed department. A formula is also provided to ensure the consistent calculation of FTEs.

This schedule records the FTE hours broken out by management and nonmanagement positions, then by the various positions within each department. It also presents FTE data for both current and prior year periods to track year-over-year changes in labor dollars and employee use.

From this data set, owners and operators can measure multiple FTE efficiencies. This includes calculating average compensation rate per hour by position and FTEs working per occupied room, cover count, spa treatments, or rounds of golf played.

Brand and Operator Costs

The extent of services provided by the brands and management companies has expanded over the years. Historically, most fees were recorded in a few major categories; but in recent years, the services provided by management companies and brands have expanded. To accommodate for this, an Annual Mandatory Brand and Operator Cost — Schedule 16 is included to capture these expenses in one, easy-to-view table. This schedule should be completed once a year when the associated costs have been tabulated.

In Schedule 16, only mandatory costs are included, and excludes optional services ordered by the owner and pass-through expenses (i.e.,

travel agent commissions, business intelligence reports). Because the definition and extent of services provided by brands and management companies differ, Schedule 16 should not be used to compare and benchmark costs amongst brands and operators.

Miscellaneous Income

Revenues are recorded as Miscellaneous Income — Schedule 4 when they occur outside the Rooms or Food and Beverage departments, and are mandated to be recorded on a net basis. Recently though, hotels have grown these revenue sources with expansion of their service and amenity offerings. To record these net revenues and provide clarity of existing sources, the 12th Revised Edition has added new Miscellaneous Income categories and expanded guidance for others. The changes include:

- Resort Fees is now Destination, Resort, and Urban Fees.
- Cleaning Fees has been added to cover the cost of pet and smoking damage repairs.
- The new Promotional Credits contra account is intended to offset the amount redeemed for Promotional Credits revenues. These credits are typically for hotel offerings such as food and beverage, spa, and other such hotel amenities.
- Clarity on when to record a commercial lease as Miscellaneous Income or Nonoperating Income is provided.

Contemporary Practice

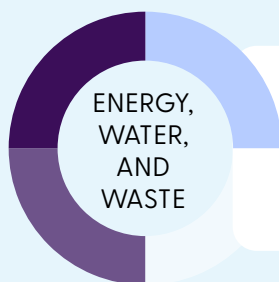
Changes to the *USALI* are also driven by the evolution of hotel operations and revisions by accounting authorities to their rules and regulations. The following describe the changes to the revenue and expense categories influenced by such occurrences in the decade since the previously published 11th Revised Edition.

Contemporary Practice

Changes to the USALI are also driven by the evolution of hotel operations and revisions by accounting authorities to their rules and regulations. The following update highlights were influenced by such occurrences.



An entire section dedicated to the reporting of revenues and expenses for AI hotels, which typically charge one price for basic services and amenities. This new guidance allows for equitable benchmarking and operating analyses.



Utilities has been renamed as Energy, Water, and Waste (EWW), with four expense categories:

- Energy
- Water and Sewer
- Waste
- Contract Services

Plus, new metrics help owners and operators analyze a hotel's EWW consumption.



In alignment with current marketing practices, three new expense categories have been added:

- Digital – Paid Search
- Digital – Display
- Digital – Social

Plus, new department titles are included.

All-Inclusive Hotels

Consumer acceptance of all-inclusive (AI) hotels has flourished since the release of the 11th Revised Edition. Given the growth of this segment, AI owners and operators appealed to the GFC to provide guidance. Their request was heeded, and the 12th Revised Edition now has an entire section dedicated to the reporting of revenues and expenses for AI hotels (Package Revenue — Schedule AI 1). This new guidance allows for equitable benchmarking and operating analyses.

Unlike European Plan hotels, AI properties charge one price for basic services and amenities. And because consumption of these services differ from guest to guest, the revenue cannot be allocated by department equitably. This is the primary difference between the USALI formats for European Plan hotels and AI properties. For AI, the revenue categories in Schedule AI 1 are:

- **Package Revenue.** Typically includes the guest room, food and beverage, recreation, and entertainment.
- **Nonpackage Revenue.** Enhanced services and amenities such as upgrades for rooms, food and beverage, spa, or golf.
- **Miscellaneous Income.** Consistent with the USALI guidance for European Plan hotels.

Unlike the revenues, AI hotels operating and undistributed expenses can be segregated into the same expense categories as European Plan properties. In fact, the majority of Schedule AI 1 is the same as the Summary Operating Statement for European Plan hotels below Total Operating Revenue.

When it comes to running the metrics, there is variance in how revenue is calculated. Because all revenues are aggregated into Total Operating Revenue at AI hotels, the properties rely on Total Operating

Revenue Per Occupied Room, and benchmark all operated and undistributed expenses against Total Operating Revenue.

Energy, Water, and Waste

The emergence of environmental and sustainability standards set by governments around the world has necessitated enhanced reporting of what were previously titled Utility Expenses within hotels. In addition to the government agencies, consumers are now demanding to understand the sustainability practices and environmental impact of hotels before they make their purchase decisions.

Matching current nomenclature, the former Utilities department has been renamed as Energy, Water, and Waste (EWW) — Schedule 9. Further, within the EWW department, the schedule has been transformed into four major expense categories:

- **Energy.** Electricity, fuels, gases, renewable energy, and vehicle fuels

- **Water and Sewer.** Municipal water, other water, and sewer
- **Waste.** Landfill or incinerated, recycled waste, composted waste, other diverted
- **Contract Services.**

While the schedule provides a view of energy, water, and waste expenditures, several new metrics have been included to help owners and operators analyze a hotel's consumption of energy, water, and waste. Further, they are the metrics frequently required by consumers and government agencies. Examples of the new EWW metrics include:

- Energy cost per kWh, water cost per gal or m3, waste cost per lb or kg
- Energy (kWh) used per square feet/meter
- Water (gal or m3) consumed per-occupied or per-available room
- Waste (lb or kg) generated per-occupied or per-available room
- Carbon emissions, carbon footprint, or greenhouse gases

Sales and Marketing

The methods and tactics used by hotels to market to guests continue to evolve. Much of this evolution has been influenced by the introduction of technology, as well as enhanced data analytics. In recognition of these methods, three new expense categories have been added: Digital — Paid Search; Digital — Display; and Digital — Social.

To align with these current techniques, new titles have been added to the Sales and Marketing department. These include digital marketing manager, director of commercial services, social media coordinator, and social media analyst.

Inter-department Movements

Because of changes in guest spending trends and hotel operations, the 12th Revised Edition has moved some revenues and expenses from one department to another.

- **Entertainment Expenses.** The cost of receiving traditional television is now often part of a bundle with internet and phone services. To align with this trend, the In-room Entertainment Systems expense category has moved from the Rooms Department to the Information and Telecommunications Systems Department.
- **Mini Bar Revenue and Expenses.** Mini bar offerings have now evolved from just selling food and beverage products, to a minor source of revenue maintained by employees from a variety of departments. To provide a common method to monitor this amenity, mini bar revenues and expenses are now recorded as an Other Operated Department instead of within the Food and Beverage Department.
- **Waste Removal Expense.** Since the cost of waste is now being monitored in the Energy, Water, and Waste Department, the expense of waste removal has been moved from Property Operations and Maintenance to Energy, Water, and Waste.

Enhanced Guidance

After the release of the 11th Revised Edition, the GFC received 100+ questions from the industry via its FAQ. In reply, the GFC incorporated enhanced guidance and clarifications stemming from these queries.

Decision Flowcharts

Several flowcharts were added to help illustrate the decision process for recording revenue and expenses under different scenarios. One grouping includes how to distinguish a Food and Beverage Venue from an Other Operated Department.

Then a group includes how to distinguish an Other Operated Department from a Minor Operated Department. Last a flowchart is included to assist with designating an expense as Contracted, Leased and Outsourced Labor, Cluster Services, or Contract Services.

Clarifications

A variety of expanded guidance has been added to address common questions. This includes a clarification on the handling of Cost Recovery Income, Cost Recovery Expenses, and Common Area Maintenance. Also included is a clarification on whether to include government charges in Business and Occupation Taxes; a clarification within the Sales and Marketing department on how to handle the costs for printed materials, photography, internet, website, and various agencies; and also a clarification on recording Day Use revenue and the impact on average daily rate and occupancy.

Regulation Changes

Numerous regulations have come about in the last decade since the release of the last edition. Since then, both GAAP and IFRS modified the handling of Lease Income. In addition, the onset of the COVID pandemic surfaced government regulations and operating practices never seen before. Examples of guidance enhancements that were driven by changes to accounting and governmental regulations include:

- Preopening Expenses was added as a cost category within Nonoperating Expenses.
- The handling of Rent expense within Schedule 11 and the Balance Sheet was updated to reflect the changes in lease accounting under U.S. GAAP and IFRS.
- Government actions taken during the COVID pandemic influenced guidance in forgivable loans and wage subsidies and grants.

Metrics, Ratios, and Optional Schedules

The evolution of hotel operations and data analytics has stimulated the need for new metrics, ratios, and additional optional schedules. In addition to the Eww metrics previously mentioned, this edition presents the following new items in this section.

- An optional schedule to track rooms revenue segregated by detailed room rate categories.
- An optional schedule to track rooms revenue based on the channel the guest uses to book their reservation.
- Additional labor-related metrics that provide guidance on how to calculate and analyze overtime,

employee benefits, and hourly wage rates.

- A formula to calculate turns within food and beverage venues.
- Formulas to calculate occupancy, average treatment rate per service, and average treatment rate per hour within a spa department.

Revenue and Expense Guide

Purchasers of the 12th Revised Edition will have access to an online Revenue and Expense Dictionary, which has been updated to reflect the additions, deletions, and changes made. This is a useful online tool that aids subscribers in quickly looking up accounts. Searches can be made via the revenue and expense category, or by departments.

Additional Changes and Guidance

It is important to note that this article provides a high-level summary of the changes from the *USALI* 11th to the 12th Revised Editions. Readers are encouraged to refer to the “Selected Changes from the 11th Edition” section in the publication's introduction to identify additional items not mentioned in this article. In addition, the *USALI* website (usali.hftp.org) offers a variety of resources that detail the updates, including the *USALI*, 12th Revised Edition Deep Dive webinars and blog series, presented by GFC members and available to all. ■