

OTHER OPERATED DEPARTMENTS—SCHEDULE 3

	CURRENT MONTH			YEAR-TO-DATE		
	ACTUAL	FORECAST	PRIOR YEAR	ACTUAL	FORECAST	PRIOR YEAR
	\$ %	\$ %	\$ %	\$ %	\$ %	\$ %
DEPARTMENTAL REVENUE						
Other Operated Department 1						
Other Operated Department 2						
...						
Other Operated Department x						
Minor Operated Departments						
Total Departmental Revenue						
DEPARTMENTAL EXPENSES¹						
Other Operated Department 1						
Other Operated Department 2						
...						
Other Operated Department x						
Minor Operated Departments						
Total Departmental Expenses						
DEPARTMENTAL INCOME (LOSS)						
Other Operated Department 1						
Other Operated Department 2						
...						
Other Operated Department x						
Minor Operated Departments						
TOTAL OTHER OPERATED DEPARTMENT INCOME (LOSS)						

1. Departmental Expenses is the sum of Cost of Sales (when applicable) and Total Expenses.

Other Operated Departments—Schedule 3 illustrates the proper format for reporting the summary of the Revenue and Expense amounts for the Other Operated and Minor Operated Departments. Only the revenues and expenses from the Other Operated and Minor Operated Departments that exist at an individual property are included on Schedule 3. To provide more detail, properties must prepare a sub-schedule for each major Other Operated Department as well as a summary sub-schedule for all Minor Operated Departments. The totals from these sub-schedules are then to be incorporated into the appropriate line items on Schedule 3. The names of the line items under Revenue and Departmental Expenses should be changed to the names of the actual Other Operated Department (e.g., Telecommunications). Properties may choose to delete some of the columns or to show them in a different order and remain "in conformity with the *Uniform System*."

Total Departmental Revenue is the same amount that appears on the Summary Operating Statement under Revenue—Other Operated Departments. Total Departmental Expenses is the same amount that appears on the Summary Operating Statement under Departmental Expenses—Other Operated Departments. All

operated departments, exclusive of the Rooms, Food, and Beverage, are classified on the Summary Operating Statement as Other Operated Departments. The following guidelines define an Other Operated Department:

- The department should generate revenue, have direct operating expenses, and be operated with a motivation to make a profit or limit the loss.
- Revenues are reported on a gross basis without the deduction of operating expenses, commissions, or fees. (See below for guidance regarding gross versus net revenue.)
- A department that has minor or no revenue and is operated primarily to provide a complimentary guest service is not classified as an Other Operated Department. The net expense of such a department is allocated to the department(s) that benefits most from the service. For example, if a property provides complimentary guest parking, all expenses for the complimentary parking operation would be charged to the Rooms and/or Food and Beverage departments.
- If the majority of income to the property is "net revenue" (percent of income, percent of profit, commission revenue, etc.), then the net revenues received by the property are classified under *Rentals and Other Income—Schedule 4*. (See below for guidance regarding gross versus net revenue.)
- All of the expenses cannot be paid by third-party operators. If all of the expenses result from a third party performing the services, the activity cannot be classified as an "operated department." (See below for guidance regarding gross versus net revenue.)
- If the vast majority of financial risk and liability for an operating department are assumed by a third-party management company (even though the department and equipment are owned by the hotel's owner), then the "net income" of that department is classified as *Rentals and Other Income—Schedule 4*. (See below for guidance regarding gross versus net revenue.)

Reporting Revenue on a Gross Versus Net Basis

The determination to report revenue on a gross or net basis influences the classification of a revenue source as an Other Operated Department or as Rentals and Other Income. In addition, reporting revenues on a gross or net basis can affect the amount of management, franchise, and other fees and costs that are a function of gross revenues.

The decision to recognize revenue based on the gross amount billed to a customer or the net amount retained (the amount billed to the customer less the amount paid to a supplier) is based on a comparison of the relevant facts and circumstances of the property's revenue source to a series of indicators provided by a variety of accounting authorities. The following paragraphs summarize the indicators that provide guidance for the determination of reporting hotel revenues on a gross or net basis.

Indicators of Gross Revenue Reporting

1. The property is responsible for fulfillment, including the acceptability of the product or service ordered or purchased by the customer.
2. The property takes title to a product before that product is ordered by a customer or will take title to the product if the customer returns it.
3. The property has latitude in establishing price.
4. The property modifies the product, other than packaging, or performs part of the service ordered by a customer.
5. The property has multiple suppliers for a product or service ordered by a customer and discretion to select the supplier.
6. The property determines the nature, type, characteristics, or specifications of the product(s) or service(s) ordered by the customer
7. Title to the product is transferred to the property at the shipping point and is transferred from the property to the customer upon delivery.
8. The property has credit risk. The property is responsible for collecting the sales price from a customer but must pay the amount owed to a supplier after the supplier performs, regardless of whether the sales price is fully collected. Credit risk is not present if:
 - a property returns or refunds only the net amount it earned in the transaction if the transaction is cancelled or reversed;
 - a property fully collects the sales price prior to the delivery of the product or service to the customer (in other words, before the property incurs an obligation to the supplier); and
 - a customer pays by credit card and a property obtains authorization for the charge in advance of product shipment or service performance.

Indicators of Net Revenue Reporting

1. The supplier (not the property) is the primary obligor in the arrangement.
 - The supplier (and not the property) is responsible for fulfillment, including the acceptability of the product(s) or service(s) ordered or purchased by a customer.
 - Representations (written or otherwise) made by a property during marketing and the terms of the sales contract generally will provide evidence as to a customer's understanding of whether the property or the supplier is responsible for fulfilling the ordered product or service.
2. The amount the property earns is fixed.
 - The property earns a fixed dollar amount per customer transaction regardless of the amount billed to a customer.

- The property earns a stated percentage of the amount billed to a customer.
3. The supplier (and not the property) has credit risk.

The determination to classify a property's revenue source as an Other Operated Department or as Rentals and Other Income is based on the balance of the preceding indicators that exist given the facts and circumstances for the production, execution, and delivery of each revenue source. If the predominance of indicators favors the reporting of revenue on a gross basis, then the revenue source is classified as an Other Operated Department. If the predominance of indicators favors the reporting of revenue on a net basis, then the net revenue is recorded as Rentals and Other Income.

Case Study Examples of Gross Versus Net Revenue Reporting

The following "case studies" are presented to provide examples of applications of the preceding indicators to common property revenue sources. Many more revenue instances will fall into these types of determinations. In each case, it is the reporting entity that determines if the revenues are reported as gross or net and each case will depend on the facts and circumstances of the arrangement, written or otherwise, between the property and the supplier.

Laundry and Dry Cleaning

Scenario One: In-House Operation

Structure. Property A operates a laundry facility that performs laundry and dry cleaning services for the guests of the hotel. All employees are employed by the property. In addition, the equipment and supplies are also owned (or leased) by the property.

Evaluation. Since Property A is responsible for providing the service to the guest, sets the prices charged, and assumes the risk of collection, the revenues and expenses under Scenario One are reported on a gross basis within a Guest Laundry Operated Department.

Scenario Two: Outside Contract

Structure. Property A issues an RFP to several local laundries that specifies quality standards, delivery and pickup times, and other elements of providing laundry and dry cleaning services to its guests. After evaluation of all proposals submitted, Property A contracts with XYZ Cleaners to launder and dry clean clothing of its guests. Property A collects the clothing from the guest, passes the clothing on to XYZ Cleaners for laundering or dry cleaning, and then returns the clothing to the guest's room. XYZ Cleaner charges Property A the contracted amount to clean each item of clothing. Property A then marks up the cost charged by XYZ (by a fixed dollar amount or percentage) and charges the guest the higher amount. Property A is the primary obligor in providing the service and takes all responsibility for resolving guest service issues. Property A also has discretion in selecting which outside laundry service to use.

Evaluation. Since Property A is the primary obligor, does provide a moderate degree of service to the guest (pick up and return of the clothing), sets the standards of service and prices charged to the guest, and assumes the risk of collection, the revenues and expenses under Scenario Two are reported on a gross basis as either an Other Operated Department or as a Minor Operated Department.

Scenario Three: Outside Concessionaire

Structure. XYZ Cleaners approaches Property A to provide laundry and dry cleaning services for the property's guests. Guests of Property A bring their clothing to the front desk. The property then passes the clothing on to XYZ Cleaners for laundering or dry cleaning. Upon return to the property, the clothing is stored at the front desk for guest pick-up. Property A passes on the cost of the charge received from XYZ Cleaners directly to the guest without a mark up. Property A then pays XYZ Cleaners the amount of laundry/dry cleaning revenue collected by property, minus a commission (percent of revenue or fixed dollar amount per item).

Evaluation. Since Property A provides only a limited degree of service to the guest, does not mark up the price from that charged by XYZ Cleaners, and receives a fixed commission, the revenue to the property under Scenario Three (the commission) is reported in Rental and Other Income on a net basis.

In-Room TV Entertainment

Scenario One: In-House Operation

Structure. Property A owns its own TVs and MATV system and provides free local and basic and some premium cable channels to guests. Each room has its own VCR/DVD player and the property maintains a library of tapes and DVDs for rent by guests. In-room promotions list the titles available and the charges to rent a tape or DVD.

Evaluation. Since Property A is responsible for providing the service to the guest, sets the prices charged, carries the inventory of tapes and DVDs, and assumes the risk of collection, the revenues and expenses under Scenario One are reported on a gross basis as either an Other Operated Department or as a Minor Operated Department.

Scenario Two: Outside TV Entertainment Service Agreement

Structure. Property B enters into a service agreement with XYZ Video Corporation (XYZ Video) to provide pay-per-view movies and other electronic guest services which may include on-demand music, video games, TV on demand, music on demand, and Internet access, all charged to the guest on a per-usage basis. The guest is made aware through in-room literature and/or video content that XYZ Video is providing these electronic video and guest services. XYZ Video sets the pricing of all services charged to the guest.

Property B owns or leases its TV and MATV system. XYZ Video owns and maintains its "system" of in-room electronic services.

Property B bills the guests the gross amount of the pay-per-view service as recorded by XYZ Video's monitoring system plus any applicable sales and use taxes. On a monthly basis, XYZ Video invoices Property B for the pay-per-view/usage fees recorded by its monitoring device. Property B is allowed to deduct a commission from its remittance to XYZ Video that is typically a percentage of the pay-per-view/usage fees.

XYZ Video provides training to Property B's personnel in the operation of the system, use of in-room electronic services, managing guest issues and complaints, and programming content, among other things. XYZ Video may permit a set number of monthly adjustments to guest pay-per-view charges, a flat percentage of total pay-per-view revenue to be adjusted off the monthly invoice, or it may allow Property B's management to determine all rebates to accommodate guest complaints depending on the contract.

Evaluation. Since Property B receives a percentage commission of the pay-per-view/usage fees charged to the guest, it would record the net commission in Rentals and Other Income. Although it does provide some level of service, Property B has no inventory risk, little collection risk, and also has the adjustments allowed by XYZ Video to mitigate guests' disputes. To the guest, XYZ Video is prominently featured in all in-room advertising and equipment as the provider (primary obligor) of the movies and other electronic guest services.

Garage/Parking

Scenario One: Property Operation

Structure. Property A operates the parking garage and performs all services for guests using the facility. Property A employs the garage employees and is responsible for the costs of operating the facility.

Evaluation. As Property A directly provides the services to the guest, controls the pricing, and has retained the risks and rewards of ownership, the revenue and expenses under this scenario are properly recorded on a gross basis and the Garage is considered an operating department.

Scenario Two: Outside Contractor

Structure. Property A contracts with Contractor Z to provide garage administration and valet parking services for Property A's guests. Property A owns the garage structure, employs the personnel, is responsible for costs of maintenance of the facility (including liability insurance), and has approval rights over the price to be charged to guests. Contractor Z charges the Property a contracted amount (percent of revenue or fixed amount) to provide the garage services. Property A is responsible for collecting the amounts charged to guests' folios.

Evaluation. As Property A provides the facility for the service, assumes the risk of collection, retains control over pricing, and bears the risk of departmental

loss, the revenues and expenses are reported on a gross basis under this scenario and the Garage is considered an operating department.

Scenario Three: Outside Concessionaire

Structure. Property A contracts with Company Z to provide parking facilities in a preferred provider relationship with the property. Company Z owns and operates the garage. Property A passes the charge set by Company Z on to the guest without a mark-up and is responsible for the collection from the guest. The amounts collected on behalf of Company Z are remitted back to Garage Z on a periodic basis net of a contracted commission.

Evaluation. As Property A has not assumed the risk and rewards of operating the parking garage, the revenues are recorded on a net basis, with Property A only recording the amount of the commission in Rentals and Other Income.

Scenario Four: Lease to Outside Concessionaire

Structure. Property A leases a garage facility to a third party (Company Z) that operates the garage. Under the terms of the lease, the garage is to provide parking services for the property. Company Z establishes the price to be charged for the service. Guests are able to charge the parking fees to their folio, in which case Property A remits the amount of collections back to Company Z on a periodic basis.

Evaluation. Property A includes the rental income as part of its revenues in Rentals and Other Income.

Other Operated Department Schedule Formats

A property must include a sub-schedule for each of the Other Operated Departments that it runs or manages, and a consolidated schedule for all Minor Operated Departments. The total revenue and expenses for each Other Operated Department are added to the total revenues and expenses from all Minor Operated Departments on Schedule 3. The combined revenues and expenses for all Other Operated Departments as shown on Schedule 3 are then listed on the Summary Operating Statement.

The format for an Other Operated Department sub-schedule follows the same base outline as the departmental schedules for the Rooms and Food and Beverage departments. The following pages contain sample sub-schedules for Telecommunications, Golf Course and Pro Shop, Health Club/Spa, and Parking Garage. In addition, a generic sub-schedule is presented to provide guidance on the format of a sub-schedule for potential Other Operated Departments (e.g., Guest Laundry, Business Center, Retail Store). Finally, a schedule is provided that summarizes and aggregates all revenues and expenses for Minor Operated Departments.

TELECOMMUNICATIONS—SUB-SCHEDULE 3-1

	CURRENT MONTH			YEAR-TO-DATE		
	ACTUAL	FORECAST	PRIOR YEAR	ACTUAL	FORECAST	PRIOR YEAR
	\$ %	\$ %	\$ %	\$ %	\$ %	\$ %
REVENUE						
Local Call Revenue						
Long Distance Revenue						
Internet Revenue						
Other Revenue						
Less: Allowances						
Total Telecommunications Revenue						
COST OF CALLS						
Cost of Local Calls						
Cost of Long Distance Calls						
Cost of Internet Service						
Other Cost						
Total Cost of Calls						
GROSS PROFIT (LOSS)						
EXPENSES						
Payroll and Related Expenses						
Salaries, Wages, and Bonuses						
Salaries and Wages						
Bonuses and Incentives						
Total Salaries, Wages, and Bonuses						
Payroll-Related Expenses						
Payroll Taxes						
Supplemental Pay						
Employee Benefits						
Total Payroll-Related Expenses						
Total Payroll and Related Expenses						
Other Expenses						
Contract Services						
Corporate Office Reimbursables						
Decorations						
Dues and Subscriptions						
Equipment Rental						
Laundry and Dry Cleaning						
Miscellaneous						
Operating Supplies						
Printing and Stationery						
Professional Fees						
Telecommunications						
Training						
Travel—Meals and Entertainment						
Travel—Other						
Uniform Laundry						
Uniforms						
Total Other Expenses						
TOTAL EXPENSES						
DEPARTMENTAL INCOME (LOSS)						

Telecommunications—Sub-schedule 3-1 illustrates the proper format for reporting the Revenue, Cost of Calls, Payroll and Related Expenses, Other Expenses, and Income (Loss) amounts for a Telecommunications department. Individual properties may delete irrelevant line items, but the *Uniform System* does not provide for the addition or substitution of other revenue or expense line items. Rather, properties may choose to develop further sub-accounts/sub-schedules to provide more detail related to a particular revenue or expense item. These additional sub-accounts/sub-schedules are then to be rolled into the appropriate line item on Sub-schedule 3-1. Additionally, properties may choose to delete some of the columns or to show them in a different order and remain "in conformity with the *Uniform System*."

The Total Telecommunications Revenue, Total Expenses (including Total Cost of Calls), and Departmental Income (Loss) shown on Sub-schedule 3-1 are then reported on Schedule 3.

Revenue

Telecommunications Revenue is categorized into Local Call Revenue, Long Distance Revenue, Internet Revenue, and Other Revenue.

Local Call Revenue

Local Call Revenue includes revenue from calls made by guests that are designated as non-toll calls by the service provider.

Long Distance Revenue

Long Distance Revenue includes revenue from calls made by guests that are designated as toll calls by the service provider.

Internet Revenue

Internet Revenue includes revenue generated from the guest use of Internet services when the cost of providing these services is incurred directly by the hotel. This includes the guest use of Internet services in both guestrooms and public rooms. The commission received from a third-party operator of Internet service is recorded in *Rentals and Other Income—Schedule 4*.

Other Revenue

Other Revenue includes revenue from service charges, owned pay stations, and from other telecommunications services not included in Local Call Revenue, Long Distance Revenue, or Internet Revenue. Revenue derived from guests using facsimile services is also credited to this line item, unless the property has a Business Center, in which case the revenue is recorded as Business Center Revenue. Commissions from non-owned pay stations are recorded in *Rentals and Other Income—Schedule 4*.

Allowances

Allowances refers to a reduction in revenue due to a service problem, and not an error in posting. Errors in posting, such as posting an incorrect charge, are treated

as an adjustment to revenue, regardless of the accounting period in which the error occurred.

Total Telecommunications Revenue

Total Telecommunications Revenue is calculated by adding together Local Call Revenue, Long Distance Revenue, Internet Revenue, and Other Revenue and subtracting Allowances. This amount is shown on Schedule 3 as Departmental Revenue—Telecommunications.

In completing the revenue section of Schedule 3-1, the Total Telecommunications Revenue line is considered to be 100 percent, and the percentage for each source of revenue is determined by dividing the dollar amount for that revenue source by Total Telecommunications Revenue.

Cost of Calls

Cost of Calls is divided into Cost of Local Calls, Cost of Long Distance Calls, Cost of Internet Service, and Other Cost. The Telecommunications department is not charged with any expenses for telecommunication, Internet, or facsimile services used by management or other departments of the property. The percentage for each item under Cost of Calls is calculated by dividing the cost by its corresponding revenue amount.

Cost of Local Calls

Cost of Local Calls includes the cost of calls designated as non-toll calls by the service provider, such as the associated costs for trunk lines, access charges, usage fees, and utility taxes. The cost of complimentary guest local phone calls is charged to this account, unless the complimentary offering is part of a Marketing department promotion.

Cost of Long Distance Calls

Cost of Long Distance Calls includes the cost of calls designated as toll calls by the service provider, such as the associated costs for trunk lines, access charges, usage fees, and utility taxes. The cost of complimentary guest long distance phone calls is charged to this account, unless the complimentary offering is part of a Marketing department promotion.

Cost of Internet Service

Cost of Internet Service includes the cost of providing Internet service, such as access charges, miscellaneous equipment not eligible for capitalization, and interchange fees.

Other Cost

Other Cost includes any cost incurred in generating Other Revenue.

Total Cost of Calls

Total Cost of Calls is calculated by adding together Cost of Local Calls, Cost of Long Distance Calls, Costs of Internet Service, and Other Cost. The percentage for

Total Cost of Calls is calculated by dividing Total Cost of Calls by Total Telecommunications Revenue.

Gross Profit (Loss)

The Gross Profit (Loss) is calculated by subtracting the Total Cost of Calls from Total Telecommunications Revenue. The percentage for Gross Profit (Loss) is calculated by dividing Gross Profit (Loss) by Total Telecommunications Revenue.

Expenses

Telecommunications department expenses are separated into two major categories: Payroll and Related Expenses and Other Expenses.

Payroll and Related Expenses

Payroll and Related Expenses for the Telecommunications department comprises the expenses associated with Salaries, Wages, and Bonuses and Payroll-Related Expenses for employees of the Telecommunications department. A list of the positions typically included in the Telecommunications department is shown on page 176.

Salaries, Wages, and Bonuses. This grouping includes (1) Salaries and Wages and (2) Bonuses and Incentives. Salaries and Wages includes only earnings paid to an employee for duties that relate to the operation of the property, such as regular pay, overtime pay, and shift differential pay. If an employee works in a department other than his or her regular home department, his or her earnings are charged as Salaries and Wages in that other department, regardless of the duties being performed. For example, if a Telecommunications department employee works as a server for an employee awards banquet, his or her earnings are charged to Salaries and Wages in Administrative and General, and not to this line item. Payroll-Related Expenses (described below) for the above example are treated similarly and charged as Payroll-Related Expenses in Administrative and General.

Salaries and Wages also includes contract or leased labor. Contract or leased labor refers to those situations in which a property enters into an agreement with an outside service to provide employees to fill positions that would normally be held by individuals paid on the regular payroll. In these situations, the property usually supervises the individuals and records or tracks their hours worked and pays them on an hourly basis. An example is the use of individuals brought into the property to fill in for a shortage of telephone operators. This situation differs from a contract service in which a property has an agreement with an outside company to provide some type of service, such as maintenance of the telephone equipment. In this case, the contracted organization typically provides the supervision and ensures that the work is performed. The costs associated with this type of agreement are charged under Contract Services for the department receiving the service.

Bonuses and Incentives includes bonuses, incentive pay, and other types of performance pay designed to drive revenue through sales, profit, or guest satisfaction measures.

Total Salaries, Wages, and Bonuses. Calculated by adding together Salaries and Wages and Bonuses and Incentives.

Payroll-Related Expenses. Payroll-Related Expenses includes amounts paid for an employee for duties that relate to the operation of the property and amounts paid for an employee who works in a department other than his or her regular home department regardless of the duties being performed. Payroll-Related Expenses includes the following items:

- **Payroll Taxes.** Includes Federal Retirement and Medicare (FICA), Federal and State Unemployment Taxes (FUTA and SUTA), State Disability Insurance (SDI), and other mandated payroll-related taxes or social insurance items. (See *Payroll-Related Expenses—Schedule 13.*)
- **Supplemental Pay.** Includes personal days, vacation pay, sick pay, holiday pay, jury duty pay, relocation pay, paid time off, and severance pay. Supplemental Pay also includes bonuses and incentive payments that are discretionary and not determined by results from operations.
- **Employee Benefits.** Includes all other payroll-related expenses, such as employer-paid health insurance expenses, cost of meals furnished to employees, pension contributions, and union fees. (See *Payroll-Related Expenses—Schedule 13.*) The distribution of employee meal costs from *Employee Cafeteria—Schedule 12* is charged to this line.

Total Payroll-Related Expenses. Calculated by adding together Payroll Taxes, Supplemental Pay, and Employee Benefits.

Total Payroll and Related Expenses

Total Payroll and Related Expenses is calculated by adding together Total Salaries, Wages and Bonuses and Total Payroll-Related Expenses. The percentage for each payroll and related expense line item as well as Total Payroll and Related Expenses is calculated by dividing the line item amount by Total Telecommunications Revenue.

Other Expenses

This expense grouping includes the significant Telecommunications department expenses approved as Other Expenses in the *Uniform System*. Individual properties may delete irrelevant line items, but the *Uniform System* does not provide for the addition or substitution of other expense line items. Rather, properties may choose to develop a sub-account/sub-schedule to provide more detail related to a particular expense item. This sub-account/sub-schedule is then to be rolled into the appropriate line item listed below.

Contract Services. Includes expenses for activities performed for the Telecommunications department by outside companies rather than hotel employees. Exceptions include contracts for the maintenance of the telephone system. The costs associated with contracting telecommunications maintenance is charged to Information Systems within the Administrative and General Department.

Corporate Office Reimbursables. Includes the allocations of salaries and expenses of corporate or management company telecommunications personnel billed to the property by the regional or corporate office, or by the management company. Travel expenses of such corporate or management company personnel that are incurred while visiting the property, including the costs of meals and other applicable services or amenities provided to corporate or management company staff while on business in the property for the benefit of the property, are also charged to this account.

Decorations. Includes the cost of decorative items used in Telecommunications department areas for holidays and special events.

Dues and Subscriptions. Includes the cost of representation of the Telecommunications department, or of members of the staff when authorized to represent the Telecommunications department, in business or professional organizations. Dues and Subscriptions is also charged with the cost of subscriptions to newspapers, magazines, and books for use by the staff of the Telecommunications department.

Equipment Rental. Includes the costs of renting any type of equipment that may be used either sporadically in the Telecommunications department or as a replacement for equipment out of service on a temporary basis. Equipment that is rented on a continuous basis and, if purchased, would qualify as a capital purchase is charged to Other Property and Equipment under the Rent section of *Rent, Property and Other Taxes, and Insurance—Schedule 10*. The costs of equipment rental charged to banquet customers is recorded as Cost of Other Revenue in Food and Beverage.

Laundry and Dry Cleaning. Includes the cost of laundry and dry cleaning services applicable to the Telecommunications department, whether the services are performed by an in-house facility or are contracted to an outside company. If the services are performed by an in-house laundry, an allocation from House Laundry is charged to Laundry and Dry Cleaning. If the services are performed by an outside company, the amount charged to Laundry and Dry Cleaning should be based on invoices sent by the outside laundry. The cost of cleaning employee uniforms is charged to the Uniform Laundry account.

Miscellaneous. Includes any expenses of the Telecommunications department that do not apply to the other line items discussed in this section.

Operating Supplies. Includes the cost of operating and general office supplies needed to operate the Telecommunications department other than those assigned to Printing and Stationery. An example of an item included in Operating Supplies is a telephone headset.

Printing and Stationery. Includes the cost of printed forms used in the Telecommunications department, whether they are purchased from an outside source or produced internally.

Professional Fees. Includes the cost of specialists, whether certified or not, engaged to assist management in Telecommunications operations.

Telecommunications. Includes any telecommunications expenditures that can be directly related to the Telecommunications department, including the costs of local, long distance, and Internet communications. Telecommunications includes not only traditional telephone systems, but also the cost of cellular phones, including the equipment and periodic service charges, used in the Telecommunications department. The costs directly associated with guest use of telephones, Internet service, fax machines, and other electronic communication devices are charged to Cost of Calls in the Telecommunications department.

Training. Includes the costs, other than time, that can be directly attributed to the training of employees in the Telecommunications department. Examples include the costs of training materials, supplies, and instructor fees. The cost of employee wages incurred during training is charged to Salaries and Wages.

Travel—Meals and Entertainment. Includes the reimbursable cost of food and beverage expenses for travel and entertainment by employees of the Telecommunications department traveling on property business.

Travel—Other. Includes the cost of travel and reimbursable expenses, other than food, beverage, and entertainment, by employees of the Telecommunications department traveling on property business.

Uniform Laundry. Includes the cost of cleaning uniforms for employees of the Telecommunications department whether performed by an in-hotel facility or contracted to an outside company.

Uniforms. Includes the cost of employee uniforms used in the Telecommunications department, whether purchased or rented. Repair costs are also included in this line item. The cost of cleaning uniforms is charged to the Uniform Laundry account.

Total Other Expenses

Total Other Expenses is calculated by adding all items listed under Other Expenses. The percentage for each line item expense as well as Total Other Expenses is calculated by dividing the line item amount by Total Telecommunications Revenue.

Total Expenses

Total Expenses is calculated by adding Total Payroll and Related Expenses to Total Other Expenses. The percentage for Total Expenses is calculated by dividing Total Expenses by Total Telecommunications Revenue.

The sum of Total Cost of Calls and Total Expenses is shown on Schedule 3 as Departmental Expenses—Telecommunications.

Departmental Income (Loss)

Departmental Income (Loss) is calculated by subtracting Total Expenses from Gross Profit. The percentage for Departmental Income (Loss) is calculated by dividing Departmental Income (Loss) by Total Telecommunications Revenue. Departmental Income (Loss) is shown on Schedule 3 as Departmental Income (Loss)—Telecommunications.

GOLF COURSE AND PRO SHOP—SUB-SCHEDULE 3-2

	CURRENT MONTH			YEAR-TO-DATE		
	ACTUAL	FORECAST	PRIOR YEAR	ACTUAL	FORECAST	PRIOR YEAR
	\$ %	\$ %	\$ %	\$ %	\$ %	\$ %
REVENUE						
Greens Fee Revenue						
Tournament Fee Revenue						
Golf Cart Rental Revenue						
Golf Equipment Rental Revenue						
Practice Range Fee Revenue						
Lesson Fee Revenue						
Golf Club Maintenance Revenue						
Storage Fee Revenue						
Membership Fee Revenue						
Merchandise Revenue						
Clothing Revenue						
Other Revenue						
Less: Allowances						
Total Golf Course and Pro Shop Revenue						
COST OF SALES						
Cost of Merchandise Sales						
Cost of Clothing Sales						
Total Cost of Sales						
GROSS PROFIT (LOSS)						
EXPENSES						
Payroll and Related Expenses						
Salaries, Wages, and Bonuses						
Salaries and Wages						
Bonuses and Incentives						
Total Salaries, Wages, and Bonuses						
Payroll-Related Expenses						
Payroll Taxes						
Supplemental Pay						
Employee Benefits						
Total Payroll-Related Expenses						
Total Payroll and Related Expenses						
Other Expenses						
Cleaning Supplies						
Complimentary Services and Gifts						
Contract Services						
Corporate Office Reimbursables						
Decorations						
Dues and Subscriptions						
Equipment Rental						
Gasoline and Lubricants						
Golf Cart Batteries/Electricity						
Golf Cart Repairs and Maintenance						
Grounds Maintenance and Landscaping						
Irrigation						
Laundry and Dry Cleaning						
Licenses and Permits						

(continued)

GOLF COURSE AND PRO SHOP—SUB-SCHEDULE 3-2 (continued)

	CURRENT MONTH			YEAR-TO-DATE		
	ACTUAL	FORECAST	PRIOR YEAR	ACTUAL	FORECAST	PRIOR YEAR
	\$ %	\$ %	\$ %	\$ %	\$ %	\$ %
Linen						
Management Fees						
Miscellaneous						
Operating Supplies						
Printing and Stationery						
Professional Fees						
Royalty Fees						
Telecommunications						
Tournament Expenses						
Training						
Transportation						
Travel—Meals and Entertainment						
Travel—Other						
Uniform Laundry						
Uniforms						
Water						
Total Other Expenses						
TOTAL EXPENSES						
DEPARTMENTAL INCOME (LOSS)						

Golf Course and Pro Shop—Sub-schedule 3-2 illustrates the proper format for reporting the Revenue, Cost of Sales, Payroll and Related Expenses, Other Expenses, and Income (Loss) amounts for a separate Golf Course and Pro Shop. Individual properties may delete irrelevant line items, but the *Uniform System* does not provide for the addition or substitution of other revenue or expense line items. Rather, properties may choose to develop further sub-accounts/sub-schedules to provide more detail related to a particular revenue or expense item. These additional sub-accounts/sub-schedules are then to be rolled into the appropriate line item on Sub-schedule 3-2. Additionally, properties may choose to delete some of the columns or to show them in a different order and remain "in conformity with the *Uniform System*."

The Total Golf Course and Pro Shop Revenue, Total Expenses (including Total Cost of Sales), and Departmental Income (Loss) shown on Sub-schedule 3-2 are then reported on Schedule 3.

Revenue

Revenue from the Golf Course and Pro Shop is classified into the following categories.

Greens Fee Revenue

Greens Fee Revenue includes revenue derived from charges to customers for playing golf on the golf course. Examples of Greens Fees charged to this account are

those for hotel guests, club members, and general public. Revenues collected for tournament play are recorded as Tournament Fee Revenue. Revenues derived from rental of golf carts are recorded as Golf Cart Rental Revenue.

Tournament Fee Revenue

Tournament Fee Revenue includes revenue derived from charges to customers for the playing of golf in organized tournaments.

Golf Cart Rental Revenue

Golf Cart Rental Revenue includes revenue derived from the rental of electric or gasoline-powered golf carts to customers of the Golf department. Pull cart rental revenue is recorded as Golf Equipment Rental Revenue.

Golf Equipment Rental Revenue

Golf Equipment Rental Revenue includes revenue derived from rental of all items used to play golf, such as clubs and pull carts. Power cart rental revenues are recorded as Golf Cart Rental Revenue.

Practice Range Fee Revenue

Practice Range Fee Revenue includes revenue derived from the use of golf practice facilities of any kind (driving, putting, etc.) whether the facilities are located indoors or outdoors.

Lesson Fee Revenue

Lesson Fee Revenue includes revenue derived from all golf lessons given to customers whether on the golf course or practice range.

Golf Club Maintenance Revenue

Golf Club Maintenance Revenue includes revenue derived from the cleaning and repair of golf clubs for customers.

Storage Fee Revenue

Storage Fee Revenue includes revenue derived from renting personal lockers or golf cart space to customers.

Membership Fee Revenue

Membership Fee Revenue includes revenue derived from charging customers for a "membership" at the golf course, which normally allows the customer "member" to exercise privileges not given to the general public. Examples of privileges might be preferred tee times or discounts for golf or merchandise.

Merchandise Revenue

Merchandise Revenue includes revenue derived from all sales of non-clothing items in the golf shop or anywhere on the golf course. Examples of merchandise would be clubs, bags, and balls.

Clothing Revenue

Clothing Revenue includes revenues derived from all sales of clothing items in the golf shop or anywhere on the golf course.

Other Revenue

Other Revenue includes revenue from providing any other services not previously specified. Revenue from food and beverage sales sold on the golf course is reported in Food and Beverage.

Allowances

Allowances refers to a reduction in revenue due to a service problem, and not an error in posting. Errors in posting, such as charging an incorrect amount, are treated as an adjustment to revenue, regardless of the accounting period in which the error occurred.

Total Golf Course and Pro Shop Revenue

Total Golf Course and Pro Shop Revenue is calculated by adding together each of the revenue items listed above and subtracting Allowances. This amount is shown on Schedule 3 as Departmental Revenue—Golf Course and Pro Shop.

In completing the revenue section of Schedule 3-2, the Total Golf Course and Pro Shop Revenue line is considered to be 100 percent, and the percentage for each source of revenue is determined by dividing the dollar amount for that revenue source by Total Golf Course and Pro Shop Revenue.

Cost of Sales

Cost of Sales is divided into two categories: Cost of Merchandise Sales and Cost of Clothing Sales. The percentage for each of the Costs of Sales is calculated by dividing the dollar cost by its corresponding revenue amount.

Cost of Merchandise Sales

Cost of Merchandise Sales includes the cost of non-clothing items sold to customers of the Golf Course and Pro Shop. Inventory losses due to damaged or missing items are also charged to the Cost of Merchandise Sales and are not charged to Other Expenses. Cost of Merchandise Sales does not include the cost associated with non-clothing items used for gratis presentation to customers, vendors, and employees of any department in the property. The cost of any complimentary items is charged as an expense to Complimentary Services and Gifts expense for the department that makes the gratis presentation.

Cost of Clothing Sales

Cost of Clothing Sales includes the cost of clothing items sold to customers of the Golf Course and Pro Shop. Inventory losses due to damaged or missing items are also charged to the Cost of Clothing Sales and are not charged to Other Expenses. Cost of Clothing Sales does not include the cost associated with clothing items used for gratis presentation to customers, vendors, and employees of any department in

the property. The cost of any complimentary clothing items is charged as an expense to Complimentary Services and Gifts expense for the department that makes the gratis presentation.

Total Cost of Sales

Total Cost of Sales is the sum of Cost of Merchandise Sales and Cost of Clothing Sales. The percentage for Total Cost of Sales is calculated by dividing Total Cost of Sales by the sum of Merchandise Revenue and Clothing Revenue.

Gross Profit (Loss)

Gross Profit (Loss) is calculated by subtracting Total Cost of Sales from Total Golf Course and Pro Shop Revenue. The percentage for Gross Profit (Loss) is calculated by dividing Gross Profit (Loss) by Total Golf Course and Pro Shop Revenue.

Expenses

Golf Course and Pro Shop expenses are separated into two major categories: Payroll and Related Expenses and Other Expenses.

Payroll and Related Expenses

Payroll and Related Expenses for the Golf Course and Pro Shop comprises the expenses associated with Salaries, Wages, and Bonuses and Payroll-Related Expenses for employees of the Golf Course and Pro Shop. A list of the positions typically included in the Golf Course and Pro Shop is shown on page 176.

Salaries, Wages, and Bonuses. This grouping includes (1) Salaries and Wages and (2) Bonuses and Incentives. Salaries and Wages includes only earnings paid to an employee for duties that relate to the operation of the property, such as regular pay, overtime pay, and shift differential pay. If an employee works in a department other than his or her regular home department, his or her earnings are charged as Salaries and Wages in that other department, regardless of the duties being performed. For example, if a Pro Shop employee works as a server for an employee awards banquet, his or her earnings are charged to Salaries and Wages in Administrative and General, and not to this line item. Payroll-Related Expenses (described below) for the above example are treated similarly and charged as Payroll-Related Expenses in Administrative and General.

Salaries and Wages also includes contract or leased labor. Contract or leased labor refers to those situations in which a property enters into an agreement with an outside service to provide employees to fill positions that would normally be held by individuals paid on the regular payroll. In these situations, the property usually supervises the individuals and records or tracks their hours worked and pays them on an hourly basis. A typical example is the use of individuals brought into the property to fill in for a shortage of caddies or bag attendants. This situation differs from a contract service in which a property has an agreement with an outside company to provide some type of service, such as landscaping. In this case, the contracted organization typically provides the supervision and ensures that the

work is performed. The costs associated with this type of agreement are charged under Contract Services for the department receiving the service.

Bonuses and Incentives includes bonuses, incentive pay, and other types of performance pay designed to drive revenue through sales, profit, or guest satisfaction measures.

Total Salaries, Wages, and Bonuses. Calculated by adding together Salaries and Wages and Bonuses and Incentives.

Payroll-Related Expenses. Payroll-Related Expenses includes amounts paid for an employee for duties that relate to the operation of the property and amounts paid for an employee who works in a department other than his or her regular home department regardless of the duties being performed. Payroll-Related Expenses includes the following items:

- **Payroll Taxes.** Includes Federal Retirement and Medicare (FICA), Federal and State Unemployment Taxes (FUTA and SUTA), State Disability Insurance (SDI), and other mandated payroll-related taxes or social insurance items. (See *Payroll-Related Expenses—Schedule 13.*)
- **Supplemental Pay.** Includes personal days, vacation pay, sick pay, holiday pay, jury duty pay, relocation pay, paid time off, and severance pay. Supplemental Pay also includes bonuses and incentive payments that are discretionary and not determined by results from operations.
- **Employee Benefits.** Includes all other payroll-related expenses, such as employer-paid health insurance expenses, cost of meals furnished to employees, pension contributions, and union fees. (See *Payroll-Related Expenses—Schedule 13.*) The distribution of employee meal costs from *Employee Cafeteria—Schedule 12* is charged to this line.

Total Payroll-Related Expenses. Calculated by adding together Payroll Taxes, Supplemental Pay, and Employee Benefits.

Total Payroll and Related Expenses

Total Payroll and Related Expenses is calculated by adding together Total Salaries, Wages, and Bonuses and Total Payroll-Related Expenses. The percentage for each payroll and related expense line item as well as Total Payroll and Related Expenses is calculated by dividing the line item amount by Total Golf Course and Pro Shop Revenue.

Other Expenses

This expense grouping includes the significant Golf Course and Pro Shop expenses approved as Other Expenses in the *Uniform System*. Individual properties may delete irrelevant line items, but the *Uniform System* does not provide for the addition or substitution of other expense line items. Rather, properties may choose to develop a sub-account/sub-schedule to provide more detail related to a particular expense item. This sub-account/sub-schedule is then to be rolled into the appropriate line item listed below.

Cleaning Supplies. Includes the cost of products used in cleansing, sweeping, polishing, waxing, and disinfecting areas associated with the Golf Course and Pro Shop.

Complimentary Services and Gifts. Includes the cost of providing gift items used in gratis presentations for promotional purposes to guests and vendors of the Golf Course and Pro Shop, such as golf balls and sun visors.

Contract Services. Includes expenses for activities performed for the Golf Course and Pro Shop by outside companies rather than hotel employees. The cost of contracting an outside company to maintain the golf carts is an example. If supplies are purchased for contract companies to use, the supplies are charged to the appropriate supply account. The cost of contracts for Golf Course and Pro Shop laundry and dry cleaning is charged to Laundry and Dry Cleaning.

Corporate Office Reimbursables. Includes the allocations of salaries and expenses of corporate or management company golf and pro shop personnel billed to the property by the regional or corporate office or by the management company. Travel expenses of such corporate or management company personnel that are incurred while visiting the property, including the costs of meals and other applicable services or amenities provided to corporate or management company staff while on business in the property for the benefit of the property, are also charged to this account.

Decorations. Includes the cost of decorative items used in Golf Course and Pro Shop areas for holidays and special events.

Dues and Subscriptions. Includes the cost of representation of the golf club, or of members of the staff when authorized to represent the golf club, in business or professional organizations. Dues and Subscriptions is also charged with the cost of subscriptions to newspapers, magazines, and books for use by the staff of the Golf Course and Pro Shop.

Equipment Rental. Includes the cost of renting any type of equipment that may be used either sporadically in the Golf Course and Pro Shop or as a replacement for equipment out of service on a temporary basis. Equipment that is rented on a continuous basis and, if purchased, would qualify as a capital purchase is charged to Other Property and Equipment under the Rent section of *Rent, Property and Other Taxes, and Insurance—Schedule 10*.

Gasoline and Lubricants. Includes the cost of gasoline and lubricants for gasoline-powered golf carts, mowers, tractors, and trucks used in operating the golf course.

Golf Cart Batteries/Electricity. Includes the cost of batteries for golf carts along with the costs associated with charging the batteries.

Golf Cart Repairs and Maintenance. Includes the cost of repairing and maintaining golf carts, mowers, tractors, and trucks used in operating the golf course.

Grounds Maintenance and Landscaping. Includes the cost of maintaining the golf course and related roads and paths. Examples include fertilizers, insecticides, other chemicals, sand, topsoil, seeds, flowers, and shrubs.

Irrigation. Includes the cost of repairing golf course water and drainage systems, sprinklers, water controllers, and computerized water systems. The cost of the water used for irrigation is charged to the Water line item below.

Laundry and Dry Cleaning. Includes the cost of laundry and dry cleaning services applicable to the Golf Course and Pro Shop, whether the services are performed by an in-house facility or are contracted to an outside company. If the services are performed by an in-house laundry, an allocation from House Laundry is charged to Laundry and Dry Cleaning. If the services are performed by an outside company, the amount charged to Laundry and Dry Cleaning is based on invoices sent by the outside laundry. The cost of cleaning employee uniforms is charged to the Uniform Laundry account.

Licenses and Permits. Includes the cost of federal, state, and local licenses, including costs of inspections needed for licensing, for all activities of the Golf Course and Pro Shop.

Linen. Includes the cost, whether purchased or rented, of towels, face cloths, bath mats, and table cloths used by the Golf Course and Pro Shop.

Management Fees. Includes the fees charged by an organization (other than the hotel's management company) to manage the Golf Course and Pro Shop operations.

Miscellaneous. Includes any expenses of the Golf Course and Pro Shop that do not apply to the other line items discussed in this section.

Operating Supplies. Includes the cost of operating and general office supplies needed to operate the Golf Course and Pro Shop that are not included in the descriptions of specific supply accounts such as Cleaning Supplies, Grounds Maintenance and Landscaping, Golf Cart Repairs and Maintenance, or Printing and Stationery. Examples of items included in Operating Supplies are practice range balls and containers, golf flag pins, ice chests and paper cups for use on golf carts, and course signage.

Printing and Stationery. Includes the cost of printed forms used in the Golf Course and Pro Shop, whether they are purchased from an outside source or produced internally. Examples of Printing and Stationery include scoring cards and pencils.

Professional Fees. Includes the cost of specialists, whether certified or not, engaged to assist management in Golf Course and Pro Shop operations, tournaments, and promotions.

Royalty Fees. Includes all costs associated with the right to use a brand name in connection with a Golf Course and Pro Shop activity. For example, the fees paid for use of a brand name to identify a golf course, including franchise fees, are charged to this line item.

Telecommunications. Includes any telecommunications expenditures that can be directly related to the Golf Course and Pro Shop, including the costs of local, long distance, and Internet communications. Telecommunications includes not only traditional telephone systems, but also the cost of cellular phones, including the equipment and periodic service charges, used in the Golf Course and Pro Shop.

Tournament Expenses. Includes all costs associated with administering a golf tournament.

Training. Includes the costs, other than time, that can be directly attributed to the training of employees in the Golf Course and Pro Shop. Examples include the costs of training materials, supplies, and instructor fees. The cost of employee wages incurred during training is charged to Salaries and Wages.

Transportation. Includes all costs associated with transporting guests to and from a remote golf course, such as fuel costs, costs of washing and cleaning vehicles, or the occasional rental of vehicles for transporting large groups, or the costs of contracting guest transportation services. The cost of mechanical maintenance of vehicles used to transport guests is charged to *Property Operation and Maintenance—Schedule 7*. If a vehicle used to transport guests is leased, the cost of the lease is charged to Rent under *Rent, Property and Other Taxes, and Insurance—Schedule 10*.

Not included in this account are the costs associated with the maintenance of golf carts owned by the hotel. These costs are charges to Golf Cart Repairs and Maintenance.

Travel—Meals and Entertainment. Includes the reimbursable cost of food and beverage expenditures for travel and entertainment by employees of the Golf Course and Pro Shop traveling on property business.

Travel—Other. Includes the cost of travel and reimbursable expenditures, other than food, beverage, and entertainment, by employees of the Golf Course and Pro Shop traveling on property business.

Uniform Laundry. Includes the cost of cleaning uniforms for employees of the Golf Course and Pro Shop whether performed by an in-hotel facility or contracted to an outside company.

Uniforms. Includes the cost of employee uniforms used in the Golf Course and Pro Shop, whether purchased or rented. Repair costs are also included in this line item. The cost of cleaning uniforms is charged to the Uniform Laundry account.

Water. Includes the cost of water used for irrigation and water features/hazards on the golf course.

Total Other Expenses

Total Other Expenses is calculated by adding all items listed under Other Expenses. The percentage for each line item expense as well as Total Other

Expenses is calculated by dividing the line item amount by Total Golf Course and Pro Shop Revenue.

Total Expenses

Total Expenses is calculated by adding Total Payroll and Related Expenses to Total Other Expenses. The percentage for Total Expenses is calculated by dividing Total Expenses by Total Golf Course and Pro Shop Revenue.

The sum of Total Cost of Sales and Total Expenses is shown on Schedule 3 as Departmental Expenses—Golf Course and Pro Shop.

Departmental Income (Loss)

Departmental Income (Loss) is calculated by subtracting Total Expenses from Gross Profit (Loss). The percentage for Departmental Income (Loss) is calculated by dividing Departmental Income (Loss) by Total Golf Course and Pro Shop Revenue. Departmental Income (Loss) is then shown on Schedule 3 as Departmental Income (Loss)—Golf Course and Pro Shop.

HEALTH CLUB/SPA—SUB-SCHEDULE 3-3

	CURRENT MONTH			YEAR-TO-DATE		
	ACTUAL	FORECAST	PRIOR YEAR	ACTUAL	FORECAST	PRIOR YEAR
	\$ %	\$ %	\$ %	\$ %	\$ %	\$ %
REVENUE						
Club Use Revenue						
Fitness Lessons Revenue						
Health/Wellness Services Revenue						
Massage Revenue						
Membership Fee Revenue						
Personal Training Revenue						
Spa Treatment Revenue						
Salon Treatment Revenue						
Merchandise Revenue						
Clothing Revenue						
Other Revenue						
Less: Allowances						
Total Health Club/Spa Revenue						
COST OF SALES						
Cost of Merchandise Sales						
Cost of Clothing Sales						
Total Cost of Sales						
GROSS PROFIT (LOSS)						
EXPENSES						
Payroll and Related Expenses						
Salaries, Wages, and Bonuses						
Salaries and Wages						
Bonuses and Incentives						
Total Salaries, Wages, and Bonuses						
Payroll-Related Expenses						
Payroll Taxes						
Supplemental Pay						
Employee Benefits						
Total Payroll-Related Expenses						
Total Payroll and Related Expenses						
Other Expenses						
Ambience						
Athletic Supplies						
Cleaning Supplies						
Complimentary Services and Gifts						
Contract Services						
Corporate Office Reimbursables						
Decorations						
Dues and Subscriptions						
Equipment Rental						
Health and Beauty Products						
Laundry and Dry Cleaning						
Licenses and Permits						
Linen						
Management Fees						
Miscellaneous						

(continued)

HEALTH CLUB/SPA—SUB-SCHEDULE 3-3 (continued)

	CURRENT MONTH			YEAR-TO-DATE		
	ACTUAL	FORECAST	PRIOR YEAR	ACTUAL	FORECAST	PRIOR YEAR
	\$ %	\$ %	\$ %	\$ %	\$ %	\$ %
Operating Supplies						
Printing and Stationery						
Professional Fees						
Royalty Fees						
Telecommunications						
Training						
Travel—Meals and Entertainment						
Travel—Other						
Uniform Laundry						
Uniforms						
Total Other Expenses						
TOTAL EXPENSES						
DEPARTMENTAL INCOME (LOSS)						

Health Club/Spa—Sub-schedule 3-3 illustrates the proper format for reporting the Revenue, Cost of Sales, Payroll and Related Expenses, Other Expenses, and Income (Loss) amounts for a separate Health Club/Spa. Individual properties may delete irrelevant line items, but the *Uniform System* does not provide for the addition or substitution of other revenue or expense line items. Rather, properties may choose to develop further sub-accounts/sub-schedules to provide more detail related to a particular revenue or expense item. These additional sub-accounts/sub-schedules are then to be rolled into the appropriate line item on Sub-schedule 3-3. Additionally, properties may choose to delete some of the columns or to show them in a different order and remain "in conformity with the *Uniform System*."

The Total Health Club/Spa Revenue, Total Expenses (including Total Cost of Sales), and Departmental Income (Loss) shown on Sub-schedule 3-3 are then reported on Schedule 3.

Revenue

Revenue from the Health Club/Spa is classified into the following categories.

Club Use Revenue

Club Use Revenue includes revenue derived from fees charged to customers for daily use of the health club facility.

Fitness Lessons Revenue

Fitness Lessons Revenue includes revenue derived from group exercise programs such as aerobic dance or martial arts.

Health/Wellness Services Revenue

Health/Wellness Services Revenue includes revenue derived from programs such as nutritional cooking classes, spiritual guidance, and personal life counseling.

Massage Revenue

Massage Revenue includes revenue derived from fees charged to customers for massage services.

Membership Fee Revenue

Membership Fee Revenue includes revenue derived from charging customers for a "membership" at the health club which normally allows the customer "member" unlimited daily use of the club facility without further payment.

Personal Training Revenue

Personal Training Revenue includes the revenue derived from fitness lessons given to an individual rather than for a group.

Spa Treatment Revenue

Spa Treatment Revenue includes revenue derived from health treatments such as facials, body wraps, and mud packs. Revenue derived from massages is recorded as Massage Revenue.

Salon Treatment Revenue

Salon Treatment Revenue includes revenue derived from hair and nail treatments such as cuts and coloring.

Merchandise Revenue

Merchandise Revenue includes revenue derived from all sales of non-clothing items in the health club/spa. Examples of merchandise would be skin care products, exercise mats, and herbal supplements.

Clothing Revenue

Clothing Revenue includes revenue derived from all sales of clothing items in the health club/spa.

Other Revenue

Other Revenue includes revenue from providing any other services not previously specified. Revenue from food and beverage sales sold in the health club/spa is reported in Food and Beverage.

Allowances

Allowances refers to a reduction in revenue due to a service problem, and not an error in posting. Errors in posting, such as charging an incorrect amount, are treated as an adjustment to revenue, regardless of the accounting period in which the error occurred.

Total Health Club/Spa Revenue

Total Health Club/Spa Revenue is calculated by adding together each of the revenue items listed above and subtracting Allowances. This amount is shown on Schedule 3 as Departmental Revenue—Health Club/Spa.

In completing the revenue section of Sub-schedule 3-3, the Total Health Club/Spa Revenue line is considered to be 100 percent, and the percentage for each source of revenue is determined by dividing the dollar amount for that revenue source by Total Health Club/Spa Revenue.

Cost of Sales

Cost of Sales is divided into two categories: Cost of Merchandise Sales and Cost of Clothing Sales. The percentage for each of the items under Costs of Sales is calculated by dividing the dollar cost by its corresponding revenue amount.

Cost of Merchandise Sales

Cost of Merchandise Sales includes the cost of non-clothing items sold to customers of the Health Club/Spa. Inventory losses due to damaged or missing items are also charged to the Cost of Merchandise Sales and are not charged to Other Expenses. Cost of Merchandise Sales does not include the cost associated with non-clothing items used for gratis presentation to customers, vendors, and employees of any department in the property. The cost of any complimentary items is charged as an expense to Complimentary Services and Gifts expense for the department that makes the gratis presentation.

Cost of Clothing Sales

Cost of Clothing Sales includes the cost of clothing items sold to customers of the Health Club/Spa. Inventory losses due to damaged or missing items are also charged to the Cost of Clothing Sales and are not charged to Other Expenses. Cost of Clothing Sales does not include the cost associated with clothing items used for gratis presentation to customers, vendors, and employees of any department in the property. The cost of any complimentary clothing items is charged as an expense to Complimentary Services and Gifts expense for the department that makes the gratis presentation.

Total Cost of Sales

Total Cost of Sales is the sum of Cost of Merchandise Sales and Cost of Clothing Sales. The percentage for Total Cost of Sales is calculated by dividing Total Cost of Sales by the sum of Merchandise Revenue and Clothing Revenue.

Gross Profit (Loss)

Gross Profit (Loss) is calculated by subtracting Total Cost of Sales from Total Health Club/Spa Revenue. The percentage for Gross Profit (Loss) is calculated by dividing Gross Profit (Loss) by Total Health Club/Spa Revenue.

Expenses

Health Club/Spa expenses are separated into two major categories: Payroll and Related Expenses and Other Expenses.

Payroll and Related Expenses

Payroll and Related Expenses for the Health Club/Spa comprises the expenses associated with Salaries, Wages, and Bonuses and Payroll-Related Expenses for employees of the Health Club/Spa. A list of the positions typically included in the Health Club/Spa is shown on page 176.

Salaries, Wages, and Bonuses. This grouping includes (1) Salaries and Wages and (2) Bonuses and Incentives. Salaries and Wages includes only earnings paid to an employee for duties that relate to the operation of the property, such as regular pay, overtime pay, and shift differential pay. If an employee works in a department other than his or her regular home department, his or her earnings are charged as Salaries and Wages in that other department, regardless of the duties being performed. For example, if a Health Club employee works as a server for an employee awards banquet, his or her earnings are charged to Salaries and Wages in Administrative and General, and not to this line item. Payroll-Related Expenses (described below) for the above example are treated similarly and charged as Payroll-Related Expenses in Administrative and General.

Salaries and Wages also includes contract or leased labor. Contract or leased labor refers to those situations in which a property enters into an agreement with an outside service to provide employees to fill positions that would normally be held by individuals paid on the regular payroll. In these situations, the property usually supervises the individuals and records or tracks their hours worked and pays them on an hourly basis. A typical example is the use of individuals brought into the property to fill in for a shortage of massage therapists or spa service technicians. This situation differs from a contract service in which a property has an agreement with an outside company to provide some type of service, such as cleaning the whirlpool. In this case, the contracted organization typically provides the supervision and ensures that the work is performed. The costs associated with this type of agreement are charged under Contract Services for the department receiving the service.

Bonuses and Incentives includes bonuses, incentive pay, and other types of performance pay designed to drive revenue through sales, profit, or guest satisfaction measures.

Total Salaries, Wages, and Bonuses. Calculated by adding together Salaries and Wages and Bonuses and Incentives.

Payroll-Related Expenses. Payroll-Related Expenses includes amounts paid for an employee for duties that relate to the operation of the property and amounts paid for an employee who works in a department other than his or her regular home department regardless of the duties being performed. Payroll-Related Expenses includes the following items:

- **Payroll Taxes.** Includes Federal Retirement and Medicare (FICA), Federal and State Unemployment Taxes (FUTA and SUTA), State Disability Insurance (SDI), and other mandated payroll-related taxes or social insurance items. (See *Payroll-Related Expenses—Schedule 13.*)

- **Supplemental Pay.** Includes personal days, vacation pay, sick pay, holiday pay, jury duty pay, relocation pay, paid time off, and severance pay. Supplemental Pay also includes bonuses and incentive payments that are discretionary and not determined by results from operations.
- **Employee Benefits.** Includes all other payroll-related expenses, such as employer-paid health insurance expenses, cost of meals furnished to employees, pension contributions, and union fees. (See *Payroll-Related Expenses—Schedule 13*.) The distribution of employee meal costs from *Employee Cafeteria—Schedule 12* is charged to this line.

Total Payroll-Related Expenses. Calculated by adding together Payroll Taxes, Supplemental Pay, and Employee Benefits.

Total Payroll and Related Expenses

Total Payroll and Related Expenses is calculated by adding together Total Salaries, Wages, and Bonuses and Total Payroll-Related Expenses. The percentage for each payroll and related expense line item as well as Total Payroll and Related Expenses is calculated by dividing the line item amount by Total Health Club/Spa Revenue.

Other Expenses

This expense grouping includes the significant Health Club/Spa expenses approved as Other Expenses in the *Uniform System*. Individual properties may delete irrelevant line items, but the *Uniform System* does not provide for the addition or substitution of other expense line items. Rather, properties may choose to develop a sub-account/sub-schedule to provide more detail related to a particular expense item. This sub-account/sub-schedule is then to be rolled into the appropriate line item listed below.

Ambience. Includes the cost to provide the sensory environment within the spa, including background music, candles, aromatherapy oils, and diffusers.

Athletic Supplies. Includes the cost of non-capitalized gym equipment, as well as supplies used during fitness classes.

Cleaning Supplies. Includes the cost of products used in cleansing, sweeping, polishing, waxing, and disinfecting areas associated with the Health Club/Spa.

Complimentary Services and Gifts. Includes the cost of providing gift items used in gratis presentations for promotional purposes to guests and vendors of the Health Club/Spa, such as razors and shaving cream, shampoo, q-tips and cotton balls, fruit juices, and herbal teas.

Contract Services. Includes expenses for activities performed for the Health Club/Spa by outside companies rather than hotel employees. The cost of contracting an outside company to clean the swimming pool, whirlpool, and spa is an example. If supplies are purchased for contract companies to use, the supplies are charged to the appropriate supply account. The cost of contracts for Health Club/Spa laundry and dry cleaning is charged to Laundry and Dry Cleaning.

Corporate Office Reimbursables. Includes the allocations of salaries and expenses of corporate or management company health club/spa personnel billed to the property by the regional or corporate office or by the management company. Travel expenses of such corporate or management company personnel that are incurred while visiting the property, including the costs of meals and other applicable services or amenities provided to corporate or management company staff while on business in the property for the benefit of the property, are also charged to this account.

Decorations. Includes the cost of decorative items used in Health Club/Spa areas for holidays and special events.

Dues and Subscriptions. Includes the cost of representation of the Health Club/Spa, or of members of the staff when authorized to represent the Health Club/Spa, in business or professional organizations. Dues and Subscriptions is also charged with the cost of subscriptions to newspapers, magazines, and books for use by the staff of the Health Club/Spa.

Equipment Rental. Includes the cost of renting any type of equipment that may be used either sporadically in the Health Club/Spa or as a replacement for equipment out of service on a temporary basis. Equipment that is rented on a continuous basis and, if purchased, would qualify as a capital purchase is charged to Other Property and Equipment under the Rent section of *Rent, Property and Other Taxes, and Insurance—Schedule 10*.

Health and Beauty Products. Includes the cost of items used in producing Massage, Spa Treatment, and Salon Treatment Revenues. Items charged to this line include nail polish, face cream, shampoo, and massage oils.

Laundry and Dry Cleaning. Includes the cost of laundry and dry cleaning services applicable to the Health Club/Spa, whether the services are performed by an in-house facility or are contracted to an outside company. If the services are performed by an in-house laundry, an allocation from House Laundry is charged to Laundry and Dry Cleaning. If the services are performed by an outside company, the amount charged to Laundry and Dry Cleaning should be based on invoices sent by the outside laundry. The cost of cleaning employee uniforms is charged to the Uniform Laundry account.

Licenses and Permits. Includes the cost of federal, state, and local licenses, including costs of inspections needed for licensing, for all activities of the Health Club/Spa.

Linen. Includes the cost, whether purchased or rented, of towels, face cloths, bath mats, and bathrobes used by the Health Club/Spa.

Management Fees. Includes the fees charged by an organization (other than the hotel's management company) to manage the Health Club/Spa operations.

Miscellaneous. Includes any expenses of the Health Club/Spa that do not apply to the other line items discussed in this section.

Operating Supplies. Includes the cost of operating and general office supplies needed to operate the Health Club/Spa that are not included in the descriptions of specific supply accounts such as Athletic Supplies or Health and Beauty Products. Examples of items included in Operating Supplies are chemicals used to treat a whirlpool, toilet paper, clothing hangers for merchandise, and a weight scale.

Printing and Stationery. Includes the cost of printed forms used in the Health Club/Spa, whether they are purchased from an outside source or produced internally. Examples of Printing and Stationary include forms to track exercise routines, file folders, and pencils.

Professional Fees. Includes the cost of specialists, whether certified or not, engaged to assist management in Health Club/Spa operations.

Royalty Fees. Includes all costs associated with the right to use a brand name in connection with a Health Club/Spa activity. For example, the fees paid for use of a brand name to identify the health club/spa, including franchise fees, are charged to this line item.

Telecommunications. Includes any telecommunications expenditures that can be directly related to the Health Club/Spa, including the costs of local, long distance, and Internet communications. Telecommunications includes not only traditional telephone systems, but also the cost of cellular phones, including the equipment and periodic service charges, used in the Health Club/Spa.

Training. Includes the cost, other than time, that can be directly attributed to the training of employees in the Health Club/Spa. Examples include the costs of training materials, supplies, and instructor fees. The cost of employee wages incurred during training is charged to Salaries and Wages.

Travel—Meals and Entertainment. Includes the reimbursable cost of food and beverage expenditures for travel and entertainment by employees of the Health Club/Spa traveling on property business.

Travel—Other. Includes the cost of travel and reimbursable expenditures, other than food, beverage, and entertainment, by employees of the Health Club/Spa traveling on property business.

Uniform Laundry. Includes the cost of cleaning uniforms for employees of the Health Club/Spa whether performed by an in-hotel facility or contracted to an outside company.

Uniforms. Includes the cost of employee uniforms used in the Health Club/Spa, whether purchased or rented. Repair costs are also included in this line item. The cost of cleaning uniforms is charged to the Uniform Laundry account.

Total Other Expenses

Total Other Expenses is calculated by adding all items listed under Other Expenses. The percentage for each line item expense as well as Total Other

Expenses is calculated by dividing the line item amount by Total Health Club/Spa Revenue.

Total Expenses

Total Expenses is calculated by adding Total Payroll and Related Expenses to Total Other Expenses. The percentage for Total Expenses is calculated by dividing Total Expenses by Total Health Club/Spa Revenue.

The sum of Total Cost of Sales and Total Expenses is shown on Schedule 3 as Departmental Expenses—Health Club/Spa.

Departmental Income (Loss)

Departmental Income (Loss) is calculated by subtracting Total Expenses from Gross Profit (Loss). The percentage for Departmental Income (Loss) is calculated by dividing Departmental Income (Loss) by Total Health Club/Spa Revenue. Departmental Income (Loss) is then shown on Schedule 3 as Departmental Income (Loss)—Health Club/Spa.

PARKING GARAGE—SUB-SCHEDULE 3-4

	CURRENT MONTH,			YEAR-TO-DATE		
	ACTUAL	FORECAST	PRIOR YEAR	ACTUAL	FORECAST	PRIOR YEAR
	\$ %	\$ %	\$ %	\$ %	\$ %	\$ %
REVENUE						
Self-Parking Revenue						
Valet Parking Revenue						
Other Revenue						
Less: Allowances						
Total Parking Garage Revenue						
COST OF SALES						
GROSS PROFIT (LOSS)						
EXPENSES						
Payroll and Related Expenses						
Salaries, Wages, and Bonuses						
Salaries and Wages						
Bonuses and Incentives						
Total Salaries, Wages, and Bonuses						
Payroll-Related Expenses						
Payroll Taxes						
Supplemental Pay						
Employee Benefits						
Total Payroll-Related Expenses						
Total Payroll and Related Expenses						
Other Expenses						
Cleaning Supplies						
Complimentary Services and Gifts						
Contract Services						
Corporate Office Reimbursables						
Decorations						
Dues and Subscriptions						
Equipment Rental						
Laundry and Dry Cleaning						
Licenses and Permits						
Management Fees						
Miscellaneous						
Operating Supplies						
Printing and Stationery						
Professional Fees						
Rent						
Royalty Fees						
Telecommunications						
Training						
Travel—Meals and Entertainment						
Travel—Other						
Uniform Laundry						
Uniforms						
Total Other Expenses						
TOTAL EXPENSES						
DEPARTMENTAL INCOME (LOSS)						

Parking Garage—Sub-schedule 3-4 illustrates the proper format for reporting the Revenue, Cost of Sales, Payroll and Related Expenses, Other Expenses, and Income (Loss) amounts for a separate Parking Garage. Individual properties may delete irrelevant line items, but the *Uniform System* does not provide for the addition or substitution of other revenue or expense line items. Rather, properties may choose to develop further sub-accounts/sub-schedules to provide more detail related to a particular revenue or expense item. These sub-accounts/sub-schedules are then to be rolled into the appropriate line item on Sub-schedule 3-4. Additionally, properties may choose to delete some of the columns or to show them in a different order and remain "in conformity with the *Uniform System*."

The Total Parking Garage Revenue, Total Expenses (including Cost of Sales), and Departmental Income (Loss) shown on Sub-schedule 3-4 are then reported on Schedule 3.

Revenue

Parking garage revenue is classified into Self-Parking Revenue, Valet Parking Revenue, and Other Revenue.

Self-Parking Revenue

Self-Parking Revenue includes revenue derived from use of the parking facilities by customers without valet service.

Valet Parking Revenue

Valet Parking Revenue includes revenue derived from use of the parking facility by customers with valet service.

Other Revenue

Other Revenue includes revenue from providing any other services not previously specified. Examples would include automobile repair, car washes, or gasoline sales.

Allowances

Allowances refers to a reduction in revenue due to a service problem, and not an error in posting. Errors in posting, such as charging an incorrect amount, are treated as an adjustment to revenue, regardless of the accounting period in which the error occurred.

Total Parking Garage Revenue

Total Parking Garage Revenue is calculated by adding together each of the revenue items listed above and subtracting Allowances. This amount is shown on Schedule 3 as Departmental Revenue—Parking Garage.

In completing the revenue section of Schedule 3-4, the Total Parking Garage Revenue line is considered to be 100 percent, and the percentage for each source of revenue is determined by dividing the dollar amount for that revenue source by Total Parking Garage Revenue.

Cost of Sales

Cost of Sales includes the cost for any items sold when the revenue is included in Other Revenue. The cost of gasoline sold would be an example of a Cost of Sales. The percentage for Cost of Sales is calculated by dividing Cost of Sales by Other Revenue.

Gross Profit (Loss)

Gross Profit (Loss) is calculated by subtracting Cost of Sales from Total Parking Garage Revenue. The percentage for Gross Profit (Loss) is calculated by dividing Gross Profit (Loss) by Total Parking Garage Revenue.

Expenses

Parking Garage expenses are separated into two categories: Payroll and Related Expenses and Other Expenses.

Payroll and Related Expenses

Payroll and Related Expense for the Parking Garage comprises the expenses associated with Salaries, Wages, and Bonuses and Payroll-Related Expenses for employees of the Parking Garage. A list of the positions typically included in the Parking Garage is shown on page 176.

Salaries, Wages, and Bonuses. This grouping includes (1) Salaries and Wages and (2) Bonuses and Incentives. Salaries and Wages includes only earnings paid to an employee for duties that relate to the operation of the property, such as regular pay, overtime pay, and shift differential pay. If an employee works in a department other than his or her regular home department, his or her earnings are charged as Salaries and Wages in that other department, regardless of the duties being performed. For example, if a Parking Garage employee works as a server for an employee awards banquet, his or her earnings are charged to Salaries and Wages in Administrative and General, and not to this line item. Payroll-Related Expenses (described below) for the above example are treated similarly and charged as Payroll-Related Expenses in Administrative and General.

Salaries and Wages also includes contract or leased labor. Contract or leased labor refers to those situations in which a property enters into an agreement with an outside service to provide employees to fill positions that would normally be held by individuals paid on the regular payroll. In these situations, the property usually supervises the individuals and records or tracks their hours worked and pays them on an hourly basis. A typical example is the use of individuals brought into the property to fill in for a shortage of valet parkers. This situation differs from a contract service in which a property has an agreement with an outside company to paint the lines on the parking surface. In this case, the contracted organization typically provides the supervision and ensures that the work is performed. The costs associated with this type of agreement are charged under Contract Services for the department receiving the service.

Bonuses and Incentives includes bonuses, incentive pay, and other types of performance pay designed to drive revenue through sales, profit, or guest satisfaction measures.

Total Salaries, Wages, and Bonuses. Calculated by adding together Salaries and Wages and Bonuses and Incentives.

Payroll-Related Expenses. Payroll-Related Expenses includes amounts paid for an employee for duties that relate to the operation of the property and amounts paid for an employee who works in a department other than his or her regular home department regardless of the duties being performed. Payroll-Related Expenses includes the following items:

- **Payroll Taxes.** Includes Federal Retirement and Medicare (FICA), Federal and State Unemployment Taxes (FUTA and SUTA), State Disability Insurance (SDI), and other mandated payroll-related taxes or social insurance items. (See *Payroll-Related Expenses—Schedule 13*.)
- **Supplemental Pay.** Includes personal days, vacation pay, sick pay, holiday pay, jury duty pay, relocation pay, paid time off, and severance pay. Supplemental Pay also includes bonuses and incentive payments that are discretionary and not determined by results from operations.
- **Employee Benefits.** Includes all other payroll-related expenses, such as employer-paid health insurance expenses, cost of meals furnished to employees, pension contributions, and union fees. (See *Payroll-Related Expenses—Schedule 13*.) The distribution of employee meal costs from *Employee Cafeteria—Schedule 12* is charged to this line.

Total Payroll-Related Expenses. Calculated by adding together Payroll Taxes, Supplemental Pay, and Employee Benefits.

Total Payroll and Related Expenses

Total Payroll and Related Expenses is calculated by adding together Total Salaries, Wages, and Bonuses and Total Payroll-Related Expenses. The percentage for each payroll and related expense line item as well as Total Payroll and Related Expenses is calculated by dividing the line item amount by Total Parking Garage Revenue.

Other Expenses

This expense grouping includes the significant Parking Garage expenses approved as Other Expenses in the *Uniform System*. Individual properties may delete irrelevant line items, but the *Uniform System* does not provide for the addition or substitution of other expense line items. Rather, properties may choose to develop a sub-account/sub-schedule to provide more detail related to a particular expense item. This sub-account/sub-schedule is then to be rolled into the appropriate line item listed below.

Cleaning Supplies. Includes the cost of products used in cleansing, polishing, and sweeping areas associated with the Parking Garage.

Complimentary Services and Gifts. Includes the cost of providing gift items used in gratis presentations for promotional purposes to guests and vendors of the Parking Garage.

Contract Services. Includes expenses for activities performed for the Parking Garage by outside companies rather than hotel employees. The cost of contracting an outside company to paint the lines on the parking surface is an example. If supplies are purchased for contract companies to use, the supplies are charged to the appropriate supply account. The cost of contracts for Parking Garage laundry and dry cleaning is charged to Laundry and Dry Cleaning.

Corporate Office Reimbursables. Includes the allocations of salaries and expenses of corporate or management company parking garage personnel billed to the property by the regional or corporate office or by the management company. Travel expenses of such corporate or management company personnel that are incurred while visiting the property, including the costs of meals and other applicable services or amenities provided to corporate or management company staff while on business in the property for the benefit of the property, are also charged to this account.

Decorations. Includes the cost of decorative items used in Parking Garage areas for holidays and special events.

Dues and Subscriptions. Includes the cost of representation of the Parking Garage, or of members of the staff when authorized to represent the Parking Garage, in business or professional organizations. Dues and Subscriptions is also charged with the cost of subscriptions to newspapers, magazines, and books for use by the staff of the Parking Garage.

Equipment Rental. Includes the costs of renting any type of equipment that may be used either sporadically in the Parking Garage or as a replacement for equipment out of service on a temporary basis. Equipment that is rented on a continuous basis and, if purchased would qualify as a capital purchase is charged to Other Property and Equipment under the Rent section of *Rent, Property and Other Taxes, and Insurance—Schedule 10*.

Laundry and Dry Cleaning. Includes the cost of laundry and dry cleaning services applicable to the Parking Garage, whether the services are performed by an in-house facility or are contracted to an outside company. If the services are performed by an in-house laundry, an allocation from House Laundry is charged to Laundry and Dry Cleaning. If the services are performed by an outside company, the amount charged to Laundry and Dry Cleaning should be based on invoices sent by the outside laundry. The cost of cleaning employee uniforms is charged to the Uniform Laundry account.

Licenses and Permits. Includes the cost of federal, state, and local licenses, including costs of inspections needed for licensing, for all activities of the Parking Garage.

Management Fees. Includes the fees charged by an organization (other than the hotel's management company) to manage Parking Garage operations.

Miscellaneous. Includes any expenses of the Parking Garage that do not apply to the other line items discussed in this section.

Operating Supplies. Includes the cost of operating and general office supplies needed to operate the Parking Garage that are not included in the descriptions of specific supply accounts such as Cleaning Supplies and Printing and Stationery. Examples include cleaning supplies for a car wash or auto parts for a repair operation.

Printing and Stationery. Includes the cost of printed forms used in the Parking Garage, whether they are purchased from an outside source or produced internally. Examples of Printing and Stationery include gate tickets and other department forms.

Professional Fees. Includes the cost of specialists, whether certified or not, engaged to assist management in Parking Garage operations.

Rent. Includes the costs associated with the temporary rental of additional parking spaces or a parking lot, usually to accommodate extra guests during special events or busy periods. Not included are the rental payments made for a long-term lease of parking spaces in a lot or garage that would be recorded in *Rent, Property and Other Taxes, and Insurance—Schedule 10*.

Royalty Fees. Includes all costs associated with the right to use a brand name in connection with the Parking Garage. For example, the fees paid for use of a brand name to identify a Parking Garage, including franchise fees, are charged to this line item.

Telecommunications. Includes any telecommunications expenditures that can be directly related to the Parking Garage, including the costs of local, long distance, and Internet communications. Telecommunications includes not only traditional telephone systems, but also the cost of cellular phones, including the equipment and periodic service charges, used in the Parking Garage.

Training. Includes the cost, other than time, that can be directly attributed to the training of employees in the Parking Garage. Examples include the costs of training materials, supplies, and instructor fees. The cost of employee wages incurred during training is charged to Salaries and Wages.

Travel—Meals and Entertainment. Includes the reimbursable cost of food and beverage expenditures for travel and entertainment by employees of the Parking Garage traveling on property business.

Travel—Other. Includes the cost of travel and reimbursable expenditures, other than food, beverage, and entertainment, by employees of the Parking Garage traveling on property business.

Uniform Laundry. Includes the cost of cleaning uniforms for employees of the Parking Garage whether performed by an in-hotel facility or contracted to an outside company.

Uniforms. Includes the cost of employee uniforms used in the Parking Garage, whether purchased or rented. Repair costs are also included in this line item. The cost of cleaning uniforms is charged to the Uniform Laundry account.

Total Other Expenses

Total Other Expenses is calculated by adding all items listed under Other Expenses. The percentage for each line item expense as well as Total Other Expenses is calculated by dividing the line item amount by Total Parking Garage Revenue.

Total Expenses

Total Expenses is calculated by adding Total Payroll and Related Expenses to Total Other Expenses. The percentage for Total Expenses is calculated by dividing Total Expenses by Total Parking Garage Revenue.

The sum of Cost of Sales and Total Expenses is shown on Schedule 3 as Departmental Expenses—Parking Garage.

Departmental Income (Loss)

Departmental Income (Loss) is calculated by subtracting Total Expenses from Gross Profit (Loss). The percentage for Departmental Income (Loss) is calculated by dividing Departmental Income (Loss) by Total Parking Garage Revenue. Departmental Income (Loss) is then shown on Schedule 3 as Departmental Income (Loss)—Parking Garage.

OTHER OPERATED DEPARTMENTS—SUB-SCHEDULE 3-X (Generic)

	CURRENT MONTH			YEAR-TO-DATE		
	ACTUAL	FORECAST	PRIOR YEAR	ACTUAL	FORECAST	PRIOR YEAR
	\$ %	\$ %	\$ %	\$ %	\$ %	\$ %
REVENUE						
Revenue						
Less: Allowances						
Total Revenue						
COST OF SALES						
GROSS PROFIT (LOSS)						
EXPENSES						
Payroll and Related Expenses						
Salaries, Wages, and Bonuses						
Salaries and Wages						
Bonuses and Incentives						
Total Salaries, Wages, and Bonuses						
Payroll-Related Expenses						
Payroll Taxes						
Supplemental Pay						
Employee Benefits						
Total Payroll-Related Expenses						
Total Payroll and Related Expenses						
Other Expenses						
Cleaning Supplies						
Complimentary Services and Gifts						
Contract Services						
Corporate Office Reimbursables						
Decorations						
Dues and Subscriptions						
Equipment Rental						
Laundry and Dry Cleaning						
Licenses and Permits						
Linen						
Management Fees						
Miscellaneous						
Operating Supplies						
[Other detailed expenses as warranted]						
Printing and Stationery						
Professional Fees						
Royalty Fees						
Telecommunications						
Training						
Travel—Meals and Entertainment						
Travel—Other						
Uniform Laundry						
Uniforms						
Total Other Expenses						
TOTAL EXPENSES						
DEPARTMENTAL INCOME (LOSS)						

The generic *Other Operated Departments—Sub-schedule 3-x* illustrates the proper format for reporting the Revenue, Cost of Sales, Payroll and Related Expenses, and Departmental Income (Loss) amounts for any Other Operated Departments that may be needed in addition to the four already detailed (Telecommunications, Golf Course and Pro Shop, Health Club/Spa, and Parking Garage)—for example, a Pool department, a Business Center, or a Tennis and Pro Shop. The hotel should define its additional departments.

When the need for an additional department exists, use the generic format set forth in Sub-schedule 3-x. Because each Other Operated Department may have significant costs that are unique to that department, hotels are *permitted* in this one area only to insert additional Other Expense line items in Sub-schedule 3-x. These unique expenses should be added under Other Expenses as appropriate. Examples of potential unique expenses are provided in the descriptive paragraph for the bracketed line item labeled [Other Detailed Expenses as warranted]. Properties may choose to develop further sub-accounts to provide even more detail related to a particular revenue or expense item. These additional sub-accounts/sub-schedules are then to be rolled into the appropriate line item on Sub-schedule 3-x. Additionally, properties may choose to delete some of the columns or to show them in a different order and remain "in conformity with the *Uniform System*."

The Total Revenue, Total Expenses (including any applicable cost of sales), and Departmental Income (Loss) shown on Sub-schedule 3-x are then reported on Schedule 3.

The following presents a description of the base revenue and expense items that should be included in the sub-schedules for Other Operated Departments. In addition, examples of other revenue and expense items that are commonly found in Other Operated Departments are provided.

Special Notice for Condominium Hotels

The revenues and direct operating expenses associated with the management of condominium units is recorded as an Other Operated Department, unless the property has assumed an economic risk pursuant to a contractual relationship that extends beyond one year. If the property has assumed economic risk, then the revenues, expenses, and rooms statistics are recorded in their appropriate categories as prescribed by the *Uniform System*.

Special Notice for Casino Hotels

The *Uniform System of Accounts for the Lodging Industry* is not recommended for use by casino hotels with significant gaming operations. It is recommended that casino hotels use accounting classification systems specific to the gaming industry.

For hotels that receive minor revenue from gaming, revenues and direct operating expenses are recorded as an Other Operated Department. Examples include hotels with card rooms or gaming machines within the lounge.

Revenue

Revenue consists of the gross sales derived from the department. The following list describes the revenue typically found in select Other Operated Departments. The

list is not intended to be all-inclusive. Additional significant revenues should be segregated in sub-schedules as warranted.

<u>Operated Department</u>	<u>Revenue</u>
Transportation:	Usage Revenue, Special Vehicle Rentals
Guest Laundry:	Guest Dry Cleaning/Laundry, Alterations and Repairs
Swimming Pool/Beach:	Usage Revenue, Membership Fees, Equipment Rental, Lessons
Tennis and Pro Shop:	Court Rental, Retail Revenue, Lessons, Merchandise, Equipment Rental
Business Center:	Typing Services, Document Printing
Marina:	Slip Rental, Gas, Groceries, Fishing Equipment Rental
Retail Store:	Clothing, Merchandise, Candy, Newspapers
Children's Camp:	Registration Fees, Day Care, Babysitting
Barber/Beauty Shop:	Hair Cuts/Styling, Merchandise
Condominium:	Room Rental, Condominium Sales
Gaming:	Card Games, Slot Machines

Allowances

Allowances refers to a reduction in revenue due to a service problem, and not an error in posting. Errors in posting, such as charging an incorrect amount, are treated as an adjustment to revenue, regardless of the accounting period in which the error occurred.

Total Revenue

Total Revenue is calculated by adding together each of the revenue items for a respective Other Operated Department and subtracting Allowances. This amount appears on Schedule 3 as Departmental Revenue—[Name of Department].

In completing the revenue section of Schedule 3-x, the Total Revenue line is considered to be 100 percent, and the percentage for each source of revenue is determined by dividing the dollar amount for that revenue source by Total Department x Revenue.

Cost of Sales

Cost of Sales includes the cost for any items sold. If individual merchandise items or categories of similar items are listed separately under Revenue, these same items or categories of items would also be listed separately under Cost of Sales. The percentage for Cost of Sales is calculated by dividing the dollar cost by its corresponding revenue amount.

Gross Profit (Loss)

Gross Profit (Loss) is calculated by subtracting Cost of Sales from Total Revenue. The percentage for Gross Profit (Loss) is calculated by dividing Gross Profit (Loss) by Total Revenue for Department x.

Expenses

Other Operated Department expenses are separated into two major categories: Payroll and Related Expenses and Other Expenses.

Payroll and Related Expenses

Payroll and Related Expenses for an Other Operated Department comprises the expenses associated with Salaries, Wages, and Bonuses and Payroll-Related Expenses for employees of the Other Operated Department.

Salaries, Wages, and Bonuses. This grouping includes (1) Salaries and Wages and (2) Bonuses and Incentives. Salaries and Wages includes only earnings paid to an employee for duties that relate to the operation of the property, such as regular pay, overtime pay, and shift differential pay. If an employee works in a department other than his or her regular home department, his or her earnings are charged as Salaries and Wages in that other department, regardless of the duties being performed. For example, if an Other Operated Department employee works as a server for an employee awards banquet, his or her earnings are charged to Salaries and Wages in Administrative and General, and not to this line item. Payroll-Related Expenses (described below) for the above example are treated similarly and charged as Payroll-Related Expenses in Administrative and General.

Salaries and Wages also includes contract or leased labor. Contract or leased labor refers to those situations in which a property enters into an agreement with an outside service to provide employees to fill positions that would normally be held by individuals paid on the regular payroll. In these situations, the property usually supervises the individuals and records or tracks their hours worked and pays them on an hourly basis. Examples include the use of individuals brought into the property to fill in for a shortage of bus drivers or lifeguards. This situation differs from a contract service in which a property has an agreement with an outside company to provide some type of service, such as cleaning the pool or fixing equipment in the Business Center. In this case, the contracted organization typically provides the supervision and ensures that the work is performed. The costs associated with this type of agreement are charged under Contract Services for the department receiving the service.

Bonuses and Incentives includes bonuses, incentive pay, and other types of performance pay designed to drive revenue through sales, profit, or guest satisfaction measures.

Total Salaries, Wages, and Bonuses. Calculated by adding together Salaries and Wages and Bonuses and Incentives.

Payroll-Related Expenses. Payroll-Related Expenses includes amounts paid for an employee for duties that relate to the operation of the property and amounts paid for an employee who works in a department other than his or her regular home department regardless of the duties being performed. Payroll-Related Expenses includes the following items:

- **Payroll Taxes.** Includes Federal Retirement and Medicare (FICA), Federal and State Unemployment Taxes (FUTA and SUTA), State Disability Insurance (SDI), and other mandated payroll-related taxes or social insurance items. (See *Payroll-Related Expenses—Schedule 13*.)
- **Supplemental Pay.** Includes personal days, vacation pay, sick pay, holiday pay, jury duty pay, relocation pay, paid time off, and severance pay. Supplemental Pay also includes bonuses and incentive payments that are discretionary and not determined by results from operations.
- **Employee Benefits.** Includes all other payroll-related expenses, such as employer-paid health insurance expenses, cost of meals furnished to employees, pension contributions, and union fees. (See *Payroll-Related Expenses—Schedule 13*.) The distribution of employee meal costs from *Employee Cafeteria—Schedule 12* is charged to this line.

Total Payroll-Related Expenses. Calculated by adding together Payroll Taxes, Supplemental Pay, and Employee Benefits.

Total Payroll and Related Expenses

Total Payroll and Related Expenses is calculated by adding together Total Salaries, Wages, and Bonuses and Total Payroll-Related Expenses. The percentage for each payroll and related expense line item as well as Total Payroll and Related Expenses is calculated by dividing the line item amount by Total Revenue for the Other Operated Department.

Other Expenses

This expense grouping includes the significant Other Operated Department expenses approved as Other Expenses in the *Uniform System*. As always, properties may delete irrelevant line items. For Sub-schedule 3-x only, properties *also may insert* additional Other Expenses that are substantial and unique to an Other Operated Department. Properties also may choose to develop a sub-account/sub-schedule to provide more detail related to a particular expense item. This sub-account/sub-schedule is then to be rolled into the appropriate line item listed below.

Cleaning Supplies. Includes the cost of products used in cleansing, sweeping, polishing, waxing, and disinfecting areas associated with the Other Operated Department.

Complimentary Services and Gifts. Includes the cost of providing gift items used in gratis presentations for promotional purposes to guests and vendors of the Other Operated Department.

Contract Services. Includes expenses for activities performed for the Other Operated Department by outside companies rather than hotel employees. The costs of contracting outside companies to clean the pool or maintain equipment in the Business Center are examples. If supplies are purchased for contract companies to use, the supplies are charged to the appropriate supply account. The cost of

contracts for Other Operated Department laundry and dry cleaning is charged to Laundry and Dry Cleaning.

Corporate Office Reimbursables. Includes the allocations of salaries and expenses of corporate or management company personnel associated with specific other operated departments billed to the property by the regional or corporate office or by the management company. Travel expenses of such corporate or management company personnel that are incurred while visiting the property, including the costs of meals and other applicable services or amenities provided to corporate or management company staff while on business in the property for the benefit of the property, are also charged to this account.

Decorations. Includes the cost of decorative items used in Other Operated Department areas for holidays and special events.

Dues and Subscriptions. Includes the cost of representation of the Other Operated Department, or of members of the staff when authorized to represent the Other Operated Department, in business or professional organizations. Dues and Subscriptions is also charged with the cost of subscriptions to newspapers, magazines, and books for use by the staff of the Other Operated Department.

Equipment Rental. Includes the costs of renting any type of equipment that may be used either sporadically in the Other Operated Department or as a replacement for equipment out of service on a temporary basis. Equipment that is rented on a continuous basis and, if purchased, would qualify as a capital purchase is charged to Other Property and Equipment under the Rent section of *Rent, Property and Other Taxes, and Insurance—Schedule 10*.

Laundry and Dry Cleaning. Includes the cost of laundry and dry cleaning services applicable to the Other Operated Department, whether the services are performed by an in-house facility or are contracted to an outside company. If the services are performed by an in-house laundry, an allocation from House Laundry is charged to Laundry and Dry Cleaning. If the services are performed by an outside company, the amount charged to Laundry and Dry Cleaning should be based on invoices sent by the outside laundry. The cost of cleaning employee uniforms is charged to the Uniform Laundry account.

Licenses and Permits. Includes the cost of federal, state, and local licenses, including costs of inspections needed for licensing, for all activities of the Other Operated Department.

Linen. Includes the cost, whether purchased or rented, of towels, face cloths, bath mats, and bathrobes used by the Other Operated Department.

Management Fees. Includes the fees charged by an organization (other than the hotel's management company) to manage the operations of the Other Operated Department.

Miscellaneous. Includes any expenses of the Other Operated Department that do not apply to the other line items discussed in this section or added to the Other Operated Department's sub-schedule.

Operating Supplies. Includes the cost of operating and general office supplies needed to operate the Other Operated Department that are not included in the descriptions of specific supply accounts such as Cleaning Supplies and Printing and Stationery.

Other Detailed Expenses (as warranted). Includes significant expenses commonly found in specific Other Operated Departments. The following expenses, if they exist, are presented as examples of separate expense line items typically found in the associated Other Operated Department. The list is not exhaustive. Additional significant expenses should be segregated as warranted.

<u>Operated Department</u>	<u>Expense</u>
Transportation:	Gas, Parts
Guest Laundry:	Cleaning Supplies, Chemicals
Swimming Pool/Beach:	Chemicals
Tennis and Pro Shop:	Nets and Tapes, Maintenance
Business Center:	Copier/Printer/Computer Parts & Supplies
Marina:	Maintenance
Barber/Beauty Shop:	Beauty Products
Retail Store:	Display Equipment
Children's Camp:	Arts and Crafts Equipment, Kids' Meals
Condominium:	Owner's Reimbursement
Gaming:	Cards, Chips

Printing and Stationery. Includes the cost of printed forms used in the Other Operated Department, whether they are purchased from an outside source or produced internally.

Professional Fees. Includes the cost of specialists, whether certified or not, engaged to assist management in the Other Operated Department.

Royalty Fees. Includes all costs associated with the right to use a brand name in connection with an Other Operated Department. For example, the fees paid for use of a brand name to identify a retail store, including franchise fees, are charged to this line item.

Telecommunications. Includes any telecommunications expenditures that can be directly related to the Other Operated Department, including the costs of local, long distance, and Internet communications. Telecommunications includes not only traditional telephone systems, but also the cost of cellular phones, including the equipment and periodic service charges, used in the Other Operated Department.

Training. Includes the cost, other than time, that can be directly attributed to the training of employees in the Other Operated Department. Examples include the costs of training materials, supplies, and instructor fees. The cost of employee wages incurred during training is charged to Salaries and Wages.

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Travel—Meals and Entertainment. Includes the reimbursable cost of food and beverage expenditures for travel and entertainment by employees of the Other Operated Department traveling on property business.

Travel—Other. Includes the cost of travel and reimbursable expenditures, other than food, beverage, and entertainment, by employees of the Other Operated Department traveling on property business.

Uniform Laundry. Includes the cost of cleaning uniforms for employees of the Other Operated Department whether performed by an in-hotel facility or contracted to an outside company.

Uniforms. Includes the cost of employee uniforms used in the Other Operated Department, whether purchased or rented. Repair costs are also included in this line item. The cost of cleaning uniforms is charged to the Uniform Laundry account.

Total Other Expenses

Total Other Expenses is calculated by adding all items listed under Other Expenses. The percentage for each line item expense as well as Total Other Expenses is calculated by dividing the line item amount by Total Revenue for the Other Operated Department.

Total Expenses

Total Expenses is calculated by adding Total Payroll and Related Expenses to Total Other Expenses. The percentage for Total Expenses is calculated by dividing Total Expenses by Total Revenue for the Other Operated Department.

The sum of Total Cost of Sales and Total Expenses is shown on Schedule 3 as Departmental Expenses—[Name of Department].

Departmental Income (Loss)

Departmental Income (Loss) is calculated by subtracting Total Expenses from Gross Profit (Loss). The percentage for Departmental Income (Loss) is calculated by dividing Departmental Income (Loss) by Total Revenue for the Other Operated Department. Departmental Income (Loss) is then shown on Schedule 3 as Departmental Income (Loss)—[Name of Department].

MINOR OPERATED DEPARTMENTS—SUB-SCHEDULE 3-XX

	CURRENT MONTH			YEAR-TO-DATE		
	ACTUAL	FORECAST	PRIOR YEAR	ACTUAL	FORECAST	PRIOR YEAR
	\$ %	\$ %	\$ %	\$ %	\$ %	\$ %
REVENUE						
Minor Operated Department 1						
Minor Operated Department 2						
...						
Minor Operated Department x						
Less: Allowances						
Total Revenue						
DEPARTMENTAL EXPENSES¹						
Minor Operated Department 1						
Minor Operated Department 2						
...						
Minor Operated Department x						
Total Minor Operated Departmental Expenses						
DEPARTMENTAL INCOME (LOSS)						
Minor Operated Department 1						
Minor Operated Department 2						
...						
Minor Operated Department x						
TOTAL MINOR OPERATED DEPARTMENTAL INCOME (LOSS)						

1. Departmental Expenses is the sum of Cost of Sales (when applicable) and Total Expenses.

Minor Operated Departments—Sub-schedule 3-xx illustrates the proper format to summarize the Revenue, Departmental Expenses, and Income (Loss) amounts for all Minor Operated Departments. The revenue and expense items shown in Sub-schedule 3-xx are totally at the discretion of an individual hotel. However, each revenue item must have a matching expense item and vice versa. Properties may choose to delete some of the columns or to show them in a different order and remain "in conformity with the *Uniform System*."

The Total Minor Operated Departmental Revenue and Total Minor Operated Departmental Expenses from Sub-Schedule 3-xx are then shown on Schedule 3.

Minor Operated Departments are sources of income that meet the guidelines to present revenues and expenses on a gross basis, yet generate limited income and incur minor direct operating expenses. Typically, Minor Operated Departments do not have any Payroll and Related Expenses. Examples of income sources that are frequently (but not always) classified as Minor Operated Departments are:

- Vending
- Retail kiosks operated by front desk personnel
- Video Games

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- In-Room Movie Rental
- Guest Dry Cleaning (outside vendor)

For more information, see the discussion on reporting revenue on a gross or net basis presented at the beginning of this section. Some of the income sources may meet the requirement to be reported on a net basis in *Rentals and Other Income—Schedule 4*.