

**CALCULATING  
THE  
INCALCULABLE**



Securing the future  
of our ministries

# THINGS WE THINK ABOUT...

- § What does it cost to...? Can we afford to...? Who does our facility serve?
- § Do we have what we need to accomplish our mission objectives?
- § Do we have the capacity to serve those whom we want to reach?
- § Are fees appropriate? Can we afford to offer more scholarships?



# WE KNOW THAT IT'S ABOUT THE OUTCOMES...

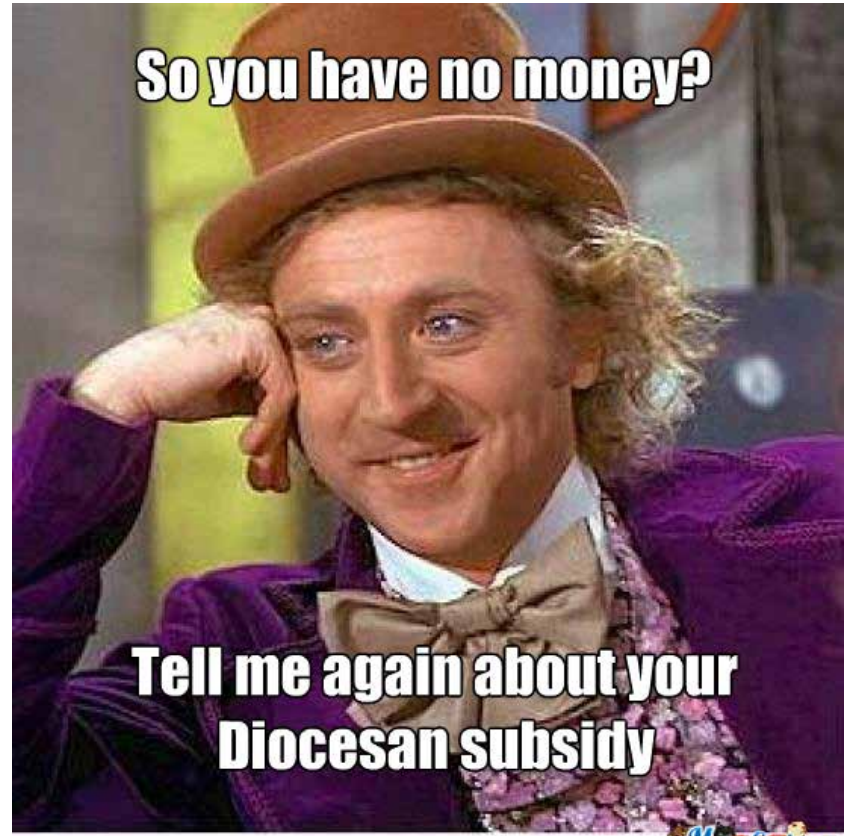
Fulfilling our mission objectives





**YET WE WORRY  
ABOUT HOW TO  
PAY FOR THEM**





**So you have no money?**

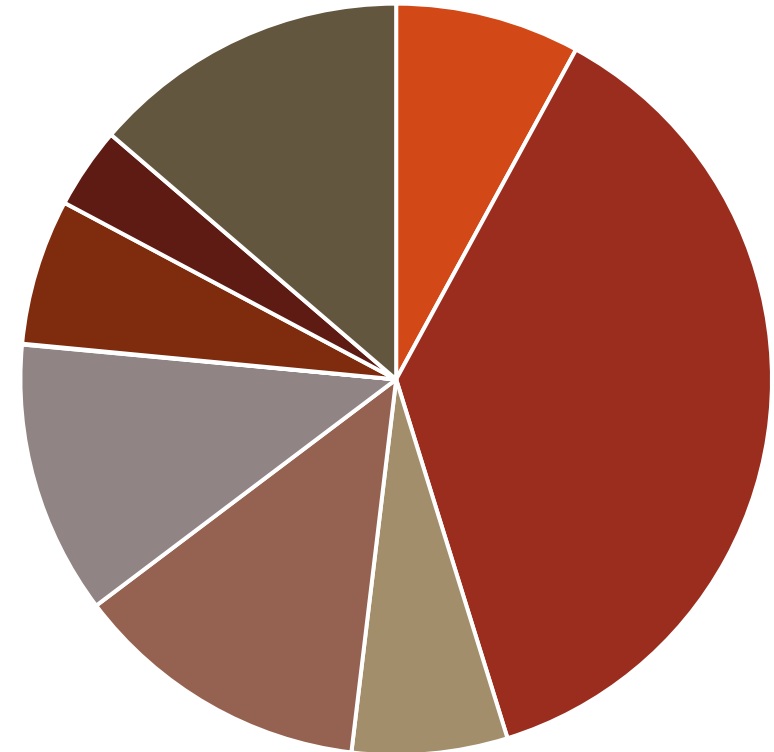
**Tell me again about your  
Diocesan subsidy**

memecenter.com 



**EACH YEAR  
WE COMMIT  
OUR DREAMS  
TO PAPER IN  
THE FORM OF  
AN OPERATING  
BUDGET**

Annual Operating Budget



- Guest Services
- Housekeeping
- Maintenance
- Transportation & Vehicles
- Programs
- Food Service
- Utilities
- Casualty Repairs
- Insurance





**WE TRACK  
PROGRESS AND  
MAKE COURSE  
ADJUSTMENTS**



# AND RELY UPON FINANCIAL REPORTS TO SERVE AS OUR GUIDEPOSTS

§ Statement of Financial Income & Expense (Operating Report)

§ Statement of Financial Position (Balance Sheet)

	2018	2017	\$ Change	% Change
Ordinary Income/Expense				
Income				
4000 · Contract Revenue	1,463,471.00	1,392,588.72	70,882.28	5.09%
4115 · Other Contract Revenue	16,163.70	1,080.00	15,083.70	1,396.64%
4200 · Other Revenue	121,407.26	166,341.57	-44,934.31	-27.01%
Total Income	1,601,041.96	1,560,010.29	41,031.67	2.63%
Gross Profit	1,601,041.96	1,560,010.29	41,031.67	2.63%
Expense				
5100 · Operations	367,960.48	280,061.09	87,899.39	31.39%
5200 · Guest Services	71,808.07	82,326.51	-10,518.44	-12.78%





# STATEMENT OF FINANCIAL INCOME & EXPENSE (OPERATING REPORT)

	TOTAL
Ordinary Income/Expense	
Income	
4000 · Contract Revenue	1,463,561.00
4115 · Other Contract Revenue	16,163.70
4200 · Other Revenue	121,421.35
Total Income	1,601,146.05
Gross Profit	1,601,146.05
Expense	
5100 · Operations	377,587.79
5200 · Guest Services	75,038.70
5300 · Food Service	343,631.69
5400 · Housekeeping	63,014.76
5500 · Utilities	115,804.29
5600 · Maintenance	109,056.97
5650 · Casualty Repairs	300.00
5700 · Transportation & Vehicles	56,672.83
5800 · Insurance	31,647.09
5900 · Programs	124,190.29
5990 · St. Raphael's Church Building	4,790.84
9991 · In & Out	0.00
Total Expense	1,301,735.25
Net Ordinary Income	299,410.80



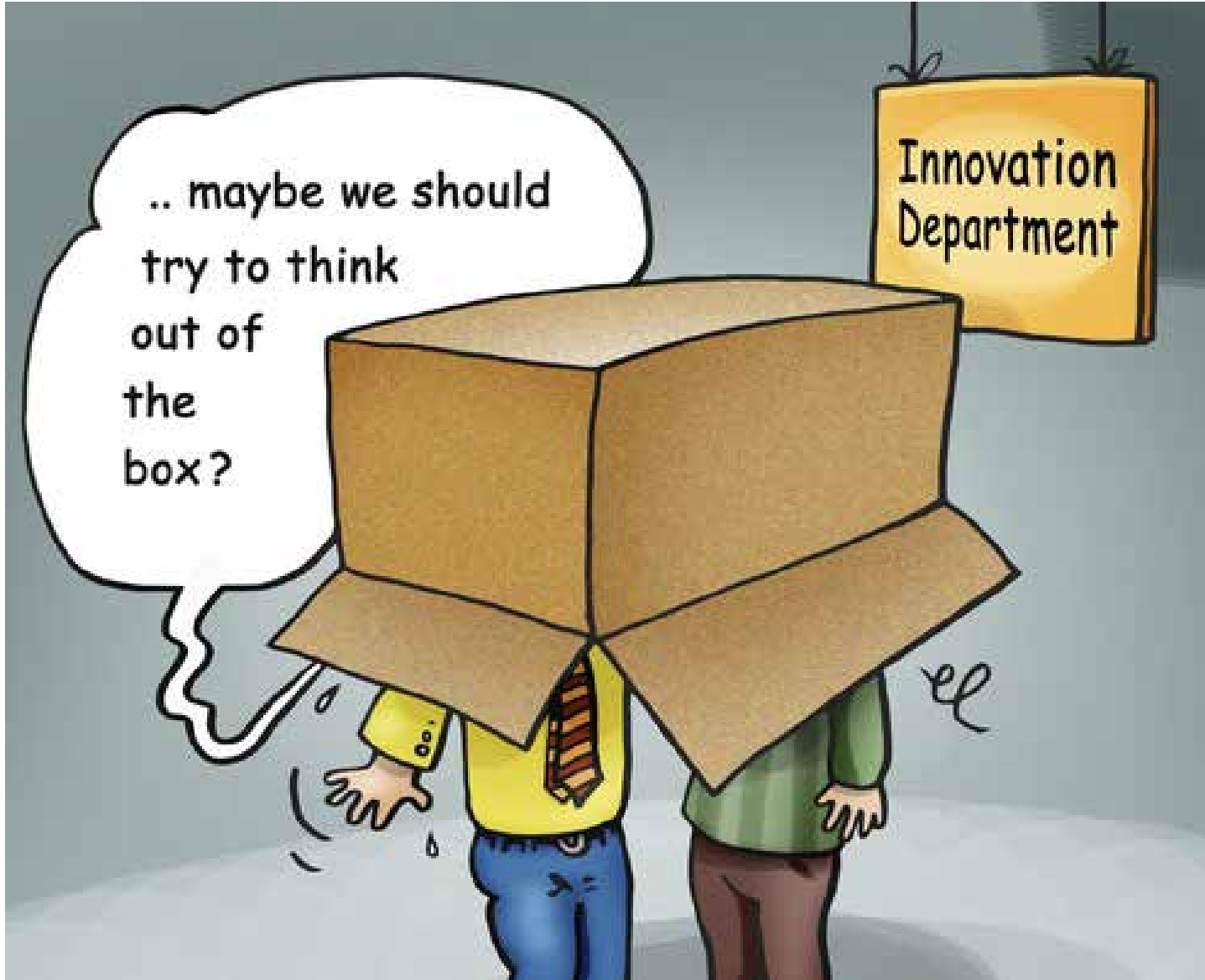
# STATEMENT OF FINANCIAL POSITION (BALANCE SHEET OR P&L REPORT)

	Dec 31, 18	Dec 31, 17	\$ Change	% Change
<b>ASSETS</b>				
Current Assets				
Checking/Savings	340,389.44	164,501.51	175,887.93	106.92%
Accounts Receivable	70,532.53	78,027.64	-7,495.11	-9.61%
Other Current Assets	-7,718.96	12,810.04	-20,529.00	-160.26%
Total Current Assets	403,203.01	255,339.19	147,863.82	57.91%
Fixed Assets	3,137,697.74	3,137,697.74	0.00	0.0%
Other Assets	1,041,675.83	1,164,490.81	-122,814.98	-10.55%
<b>TOTAL ASSETS</b>	<b>4,582,576.58</b>	<b>4,557,527.74</b>	<b>25,048.84</b>	<b>0.55%</b>
<b>LIABILITIES &amp; EQUITY</b>				
Liabilities	123,268.27	136,038.13	-12,769.86	-9.39%
Equity	4,459,308.31	4,421,489.61	37,818.70	0.86%
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>4,582,576.58</b>	<b>4,557,527.74</b>	<b>25,048.84</b>	<b>0.55%</b>



**AND WE REPORT TO OUR BOARD (AND  
THEY NOD THEIR HEADS ATTENTIVELY)**





**TO HELP THE BOARD  
BECOME MORE  
ENGAGED,  
CONSIDER SHARING  
A DIFFERENT  
SET OF REPORTS**



# OTHER REPORTS THAT CAN HELP US TELL OUR STORIES



GROUP STATISTICS  
REPORT



PROFITABILITY/SUPPORT  
BY GROUP TYPE



FIXED ASSETS LEDGER



CASH FLOW



OCCUPANCY REPORT



# FIXED ASSETS - DEPRECIATION SCHEDULE

Any asset that has a lifespan of more than a year is called a *fixed asset*.

Depreciation Recovery Periods for Business Equipment (IRS)	
Property Class Recovery Period	Business Equipment
3-year property	Tractor units and horses over two years old
5-year property	Cars, taxis, buses, trucks, computers, office machines (faxes, copiers, calculators, and so on), research equipment, and cattle
7-year property	Office furniture and fixtures
10-year property	Water transportation equipment, single-purpose agricultural or horticultural structures, and fruit- or nut-bearing vines and trees
15-year property	Land improvements, such as shrubbery, fences, roads, and bridges
20-year property	Farm buildings that are not agricultural or horticultural structures
27.5-year property	Residential rental property
39-year property	Nonresidential real estate, including a home office but not including the value of the land



# OCCUPANCY REPORT (OCC)

## Calculations

Occupancy per Room

Occupancy per Building

Avg. Revenue per Room Night (ADR)

Calculate Rev/PAR

## Other Helpful Uses

Establish depreciation schedules

Establish maintenance schedules

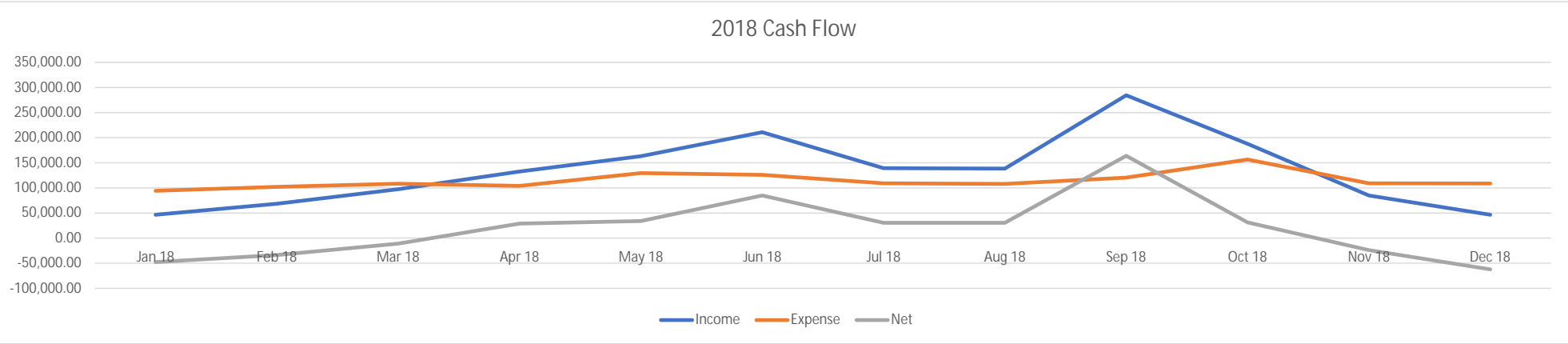


### 2018 OCCUPANCY RATES

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total Nights	Occupancy Rate
7	11	17	14	27	19	13	14	21	26	12	11	192	52.60%
9	11	13	12	27	19	13	13	11	25	6	10	169	46.30%
5	11	13	16	27	21	11	14	21	28	12	11	190	52.05%
9	11	12	14	27	21	11	13	20	26	11	10	185	50.68%
7	11	11	16	27	18	11	13	21	27	12	11	185	50.68%
11	11	13	14	27	21	11	11	15	25	11	10	180	49.32%
7	12	12	16	27	21	1	13	25	29	12	11	186	50.96%
9	12	12	16	27	21	16	11	23	27	10	10	194	53.15%
11	12	12	16	27	26	16	13	25	23	10	10	201	55.07%
5	12	15	16	22	28	16	12	24	29	10	10	199	54.52%
5	11	12	7	25	21	16	11	22	28	6	8	172	47.12%
5	12	12	9	20	21	15	10	24	26	1	3	158	43.29%
11	12	10	11	27	17	15	11	21	21	6	3	165	45.21%
15	12	13	11	27	20	18	10	23	25	6	3	183	50.14%
15	12	16	11	27	26	18	11	24	28	6	3	197	53.97%
13	12	15	7	27	26	18	14	16	27	6	8	189	51.78%
11	12	18	9	26	26	13	14	20	28	10	8	195	53.42%
9	12	11	7	22	24	18	14	20	26	10	8	181	49.59%
												<b>3,321</b>	<b>50.55%</b>
5	4	11	19	18	21	13	13	23	19	5	5	156	42.74%
10	5	11	21	23	21	12	14	23	22	5	5	172	47.12%
10	9	11	21	22	22	14	14	23	22	5	5	178	48.77%
10	7	8	17	17	18	14	9	18	13	5	1	137	37.53%
8	5	4	17	12	13	12	14	16	20	4	2	127	34.79%
8	11	12	21	22	17	14	14	21	24	6	5	175	47.95%
8	12	12	21	25	17	14	19	23	24	10	5	190	52.05%
8	12	12	12	25	17	16	18	25	24	10	5	184	50.41%
10	9	15	15	9	10	13	11	19	6	9	3	129	35.34%
10	9	14	12	7	10	10	11	19	4	7	1	114	31.23%
10	9	15	13	7	9	8	11	15	9	7	1	114	31.23%
10	9	16	13	7	15	11	11	15	9	7	1	124	33.97%
6	10	17	13	7	16	14	11	22	9	7	4	136	37.26%
3	9	11	13	7	16	14	11	22	5	7	4	122	33.42%
6	8	14	13	7	12	14	11	24	8	7	4	128	35.07%
6	9	15	11	7	13	14	8	22	11	7	1	124	33.97%
												<b>2,310</b>	<b>39.55%</b>
0	1	3	9	2	3	5	3	10	2	6	2	46	12.60%
0	1	0	2	0	1	1	1	0	1	2	4	13	3.56%
												<b>59</b>	<b>8.08%</b>
3	0	2	4	2	7	8	11	19	1	4	0	61	16.71%
4	1	5	4	2	7	8	13	23	1	0	0	68	18.63%
												<b>129</b>	<b>17.67%</b>
<b>299</b>	<b>349</b>	<b>445</b>	<b>493</b>	<b>694</b>	<b>661</b>	<b>479</b>	<b>450</b>	<b>758</b>	<b>708</b>	<b>277</b>	<b>206</b>	<b>5,819</b>	
25.38%	32.80%	37.78%	43.25%	58.91%	57.98%	40.66%	38.20%	66.49%	60.10%	24.30%	17.49%		
\$ 43,172.00	\$ 62,986.00	\$ 85,928.80	\$ 125,197.40	\$ 155,095.00	\$ 207,672.50	\$ 134,150.00	\$ 118,903.00	\$ 275,988.00	\$ 176,427.40	\$ 55,065.70	\$ 43,524.00	\$ 1,484,109.80	
\$ 144.39	\$ 180.48	\$ 193.10	\$ 253.95	\$ 223.48	\$ 314.18	\$ 280.06	\$ 264.23	\$ 364.10	\$ 249.19	\$ 198.79	\$ 211.28	\$ 255.05	

# CASH FLOW REPORT

	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18	Jul 18	Aug 18	Sep 18	Oct 18	Nov 18	Dec 18	TOTAL
<b>Income</b>	46,709.36	68,598.16	97,316.83	132,773.60	163,357.49	210,927.88	139,348.25	138,578.58	284,553.35	187,680.33	84,952.52	46,493.23	<b>1,601,289.58</b>
<b>Expense</b>	94,466.65	102,231.32	108,447.04	103,959.89	129,491.79	126,145.72	109,012.08	108,067.56	120,434.14	156,354.36	109,080.04	108,756.39	<b>1,376,446.98</b>
<b>Net</b>	-47,757.29	-33,633.16	-11,130.21	28,813.71	33,865.70	84,782.16	30,336.17	30,511.02	164,119.21	31,325.97	-24,127.52	-62,263.16	<b>224,842.60</b>





## Group Statistics by Booking Type

Dec 11, 2018 2:09 PM

# of records: 9

### Filter criteria used to generate this report

((Booking Stage : In Progress; Fully Registered  
AND  
Dates on Site : between January 1, 2018 and December 31, 2018))

<b>Booking Type</b>	<b>Number of Bookings</b>	<b>Total Attendees</b>	<b>Total Camper Days</b>	<b>Total Charges</b>	<b>% of Total Attendees</b>	<b>% of Total Camper Days</b>	<b>% of Total Groups</b>	<b>% of Total Revenue</b>
Cal Fire/Forest Service	20	540	4,189.5	\$213,630.60	10.91%	29.35%	11.98%	14.02%
Christian	47	1660	3,293.667	\$279,403.20	33.54%	23.07%	28.14%	18.33%
Community Group	4	182	69.167	\$10,395.00	3.68%	0.48%	2.40%	0.68%
Diocesan	12	270	365.5	\$34,757.84	5.45%	2.56%	7.19%	2.28%
ECCO Program	7	106	246.833	\$41,819.58	2.14%	1.73%	4.19%	2.74%
Guest/Nonprofit	28	1046	1,901.667	\$166,910.40	21.13%	13.32%	16.77%	10.95%
Road Scholar	37	675	3,398.667	\$689,792.00	13.64%	23.81%	22.16%	45.26%
School/Education	10	421	776.667	\$83,178.00	8.51%	5.44%	5.99%	5.46%
Wedding	2	50	33.333	\$4,280.00	1.01%	0.23%	1.20%	0.28%
<b>Total All Groups</b>	<b>167</b>	<b>4950</b>	<b>14,275.0</b>	<b>\$1,524,166.62</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



# SALES BY ITEM SUMMARY

	Jan - Dec 18			
	Qty	Amount	% of Sales	Avg Price
<b>Service</b>				
Banquet (Banquet Meal: ECCO Buffet)	563	17,996.50	1.2%	31.97
Breakfast (Breakfasts:)	13,191	181,833.40	12.3%	13.78
Day Use Fee (Day Use Fee)	433	4,680.00	0.3%	10.81
Dinner (Dinners:)	12,956	272,364.70	18.5%	21.02
Dorms (LODGING - Dorms:)	1,401	34,620.00	2.3%	24.71
Double (LODGING-2 Per Rm.:)	7,198	298,443.00	20.2%	41.46
Lunch (Lunches:)	9,152	149,758.20	10.1%	16.36
Meeting Rooms (Meeting Rooms - \$250 per meeting room for LLE, LLW & Barton Room, ...)	19	6,950.00	0.5%	365.79
Private (LODGING-Private Room:)	1,177	106,517.60	7.2%	90.50
Quad Room (LODGING-3 to 4 Per Rm.:)	1,905	70,837.60	4.8%	37.19
R.V. (LODGING-R.V. Space:)	72	815.50	0.1%	11.33
Social (Social:)	1,227	9,228.00	0.6%	7.52
Transportation ECCO Bus (Transportation - ECCO Bus)	140	128,870.00	8.7%	920.50
<b>Total Service</b>	<b>49,434.00</b>	<b>1,282,914.50</b>	<b>86.9%</b>	<b>25.95</b>



# MARKET SEGMENTATION



# MIND THE METRICS

- § COST ≠ PRICE
- § WHAT IS YOUR AVERAGE COST TO PROVIDE AN INDIVIDUAL MEAL?
- § WHAT IS YOUR AVERAGE COST TO LODGE A GUEST FOR A NIGHT?
  - § IN A SINGLE ROOM
  - § IN A DOUBLE
  - § IN A QUAD
  - § IN A DORM
  - § IN A PARTICULAR CABIN OR LODGE
- § WHAT IS THE AVERAGE COST TO PROVIDE ONE DAY OF GUEST PROGRAM?
- § WHAT IS THE FAIR MARKET PRICE TO CHARGE FOR THESE SERVICES?
- § HOW MUCH ARE YOU CHARGING? IS YOUR PRICING APPROPRIATE?



# PRICING YOUR SERVICES



- § RESEARCH YOUR MARKETS
- § KNOW THE UNIQUE FEATURES OF YOUR CAMP/CENTER IN YOUR MARKETS
- § LEARN WHAT PRICES THE MARKETS WILL BEAR FOR THE SERVICES YOU PRODUCE
- § OFFER A MIX OF SERVICES TO A MIX OF GROUP TYPES IN MULTIPLE MARKETS
  - § SOME GROUP TYPES ARE MORE PROFITABLE TO SERVE THAN OTHERS
  - § SOME GROUP TYPES COST MORE TO SERVE
  - § SOME GROUP TYPES MISSION CRITICAL BUT DON'T GENERATE REVENUE

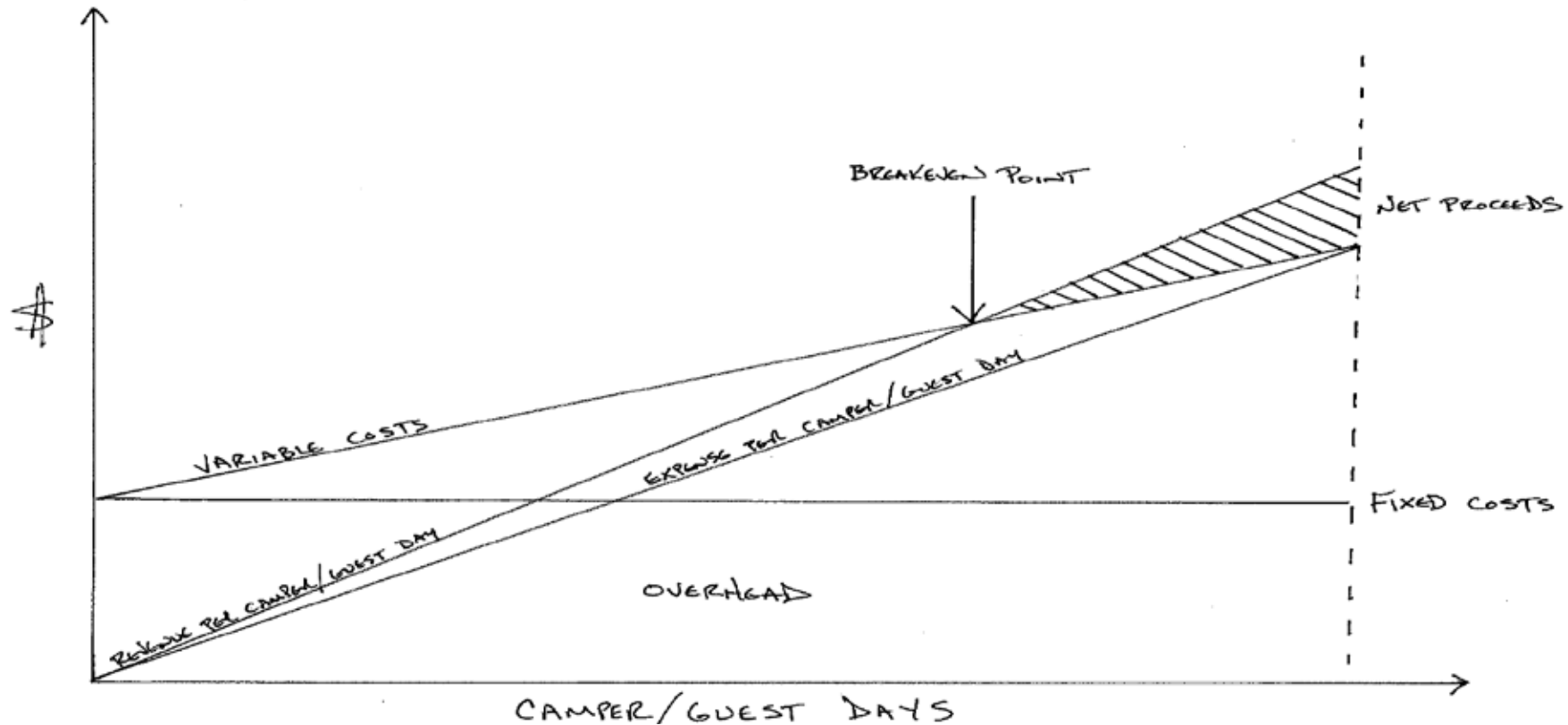


# SURPLUS OR SUBSIDY BY GROUP BOOKING TYPE OR PROGRAM

Contract Revenue By Guest Days	Community Groups	Weddings & Memorials	Cal Fire & Forest Service	ECCO Programs	Christian	Diocese	Education	Road Scholar	Nonprofit Other	Totals
<b>Revenue</b>	\$ 12,745.00	\$ 9,563.24	\$ 213,630.60	\$ 40,887.18	\$ 278,226.20	\$ 35,202.84	\$ 90,467.00	\$ 675,332.00	\$ 152,232.16	\$ 1,508,286.22
<b>Distributed Expenses</b>	\$ 9,477.79	\$ 5,687.83	\$ 328,825.39	\$ 27,175.64	\$ 265,214.85	\$ 32,183.62	\$ 78,589.49	\$ 428,047.10	\$ 132,130.80	\$ 1,307,332.51
<b>Net Contribution</b>	\$ 3,267.21	\$ 3,875.41	(\$115,194.79)	\$ 13,711.54	\$ 13,011.35	\$ 3,019.22	\$ 11,877.51	\$ 247,284.90	\$ 20,101.36	\$ 200,953.71



# CALCULATING YOUR BREAKEVEN POINT



# REVENUE PER AVAILABLE ROOM RevPAR

§ The most comprehensive and important metric hoteliers depend on to make smart decisions is RevPAR. It blends occupancy with ADR but also includes the impact of your unsold rooms, giving you a true picture of profitability and success. It is calculated by dividing the total room revenue by the total number of rooms available. It is the first metric a seasoned hotelier would want to look at when analyzing the health of a hotel business.

§ **RevPAR = Total Room Revenue/Total Rooms Available**

**2018 Room Revenue = \$510,418.20**

**37 Rooms x 365 nights = 13,505 nights**

**\$510,418.20/13,505 = \$37.79**





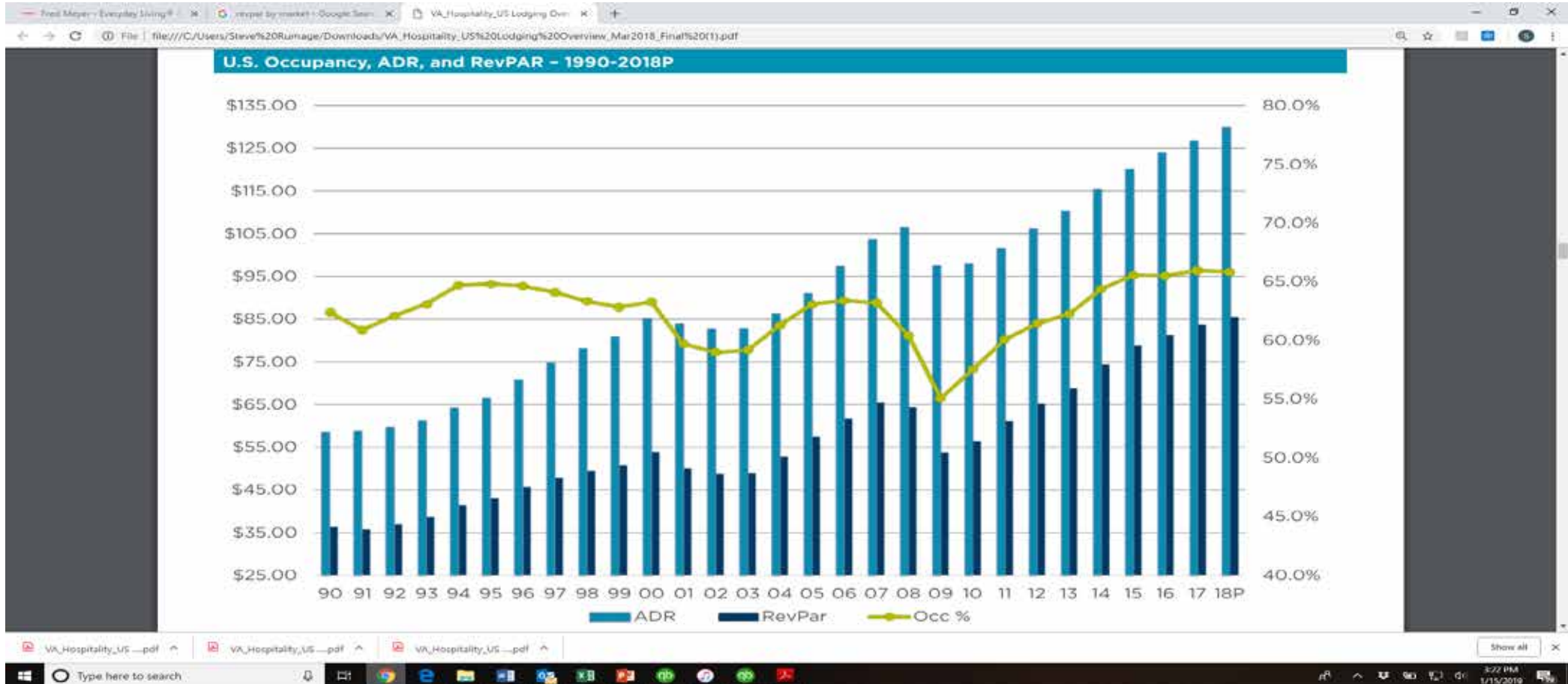
# AVERAGE DAILY RATE CALCULATION (ADR)

This is the second most common term that comes up in any hotel discussion. It represents the simple average of all rates guests paid for one night of their stay on any given night. Because guests each pay different rates for their respective stays, ADR sums them all up and blends them into one single average rate. It is calculated by dividing total room revenue for the night by total number of rooms sold. This can also be applied to any specific period of time, not just daily.

	Jan - Dec 18			
	Qty	Amount	% of Sales	Avg Price
<b>Service</b>				
Dorms (LODGING - Dorms:)	1,401	34,620.00	6.8%	24.71
Double (LODGING-2 Per Rm.:)	7,198	298,443.00	58.5%	41.46
Private (LODGING-Private Room:)	1,177	106,517.60	20.9%	90.50
Quad Room (LODGING-3 to 4 Per Rm.:)	1,905	70,837.60	13.9%	37.19
<b>Total Service</b>	<b>11,681.00</b>	<b>510,418.20</b>	<b>100.0%</b>	<b>43.70</b>
<b>TOTAL</b>	<b>11,681</b>	<b>510,418.20</b>	<b>100.0%</b>	<b>43.70</b>



# US HOTEL STATISTICS 1990-2018





**CAN SOME OF  
THESE REPORTS  
ENERGIZE THE  
CONVERSATION  
AT YOUR NEXT  
BOARD MEETING?**



# THANK YOU FOR PARTICIPATING IN THIS SESSION



**INWARD  
OUTWARD  
FORWARD**

JANUARY 27 - FEBRUARY 1    WAYCROSS, INDIANA  
[WWW.EPISCOPALCCC.ORG/CONFERENCE](http://WWW.EPISCOPALCCC.ORG/CONFERENCE)    #ECCCAC



01/15/19

**E.C.C.O.**  
**Sales by Item Summary**  
January through December 2018

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	Jan - Dec 18			
	Qty	Amount	% of Sales	Avg Price
<b>Service</b>				
Dorms (LODGING - Dorms:)	1,401	34,620.00	6.8%	24.71
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<b>TOTAL</b>	<b>11,681</b>	<b>510,418.20</b>	<b>100.0%</b>	<b>43.70</b>

# FIXED ASSETS

Any asset that has a lifespan of more than a year is called a *fixed asset*. All businesses use equipment, furnishings, and vehicles that last more than a year. Although they may last longer than other assets, even fixed assets eventually get old and need replacing.

Because your business should match its expenses with its revenue, you don't want to write off the full expense of a fixed asset in one year. After all, you'll certainly be making use of the asset for more than one year.



You're probably wondering how you figure out the useful life of a fixed asset. Well, the IRS has done the dirty work for you by creating a chart that spells out the recovery periods allowed for business equipment (see the table below).

Depreciation Recovery Periods for Business Equipment

<b>Property Class Recovery Period</b>	<b>Business Equipment</b>
3-year property	Tractor units and horses over two years old
5-year property	Cars, taxis, buses, trucks, computers, office machines (faxes, copiers, calculators, and so on), research equipment, and cattle
7-year property	Office furniture and fixtures
10-year property	Water transportation equipment, single-purpose agricultural or horticultural structures, and fruit- or nut-bearing vines and trees
15-year property	Land improvements, such as shrubbery, fences, roads, and bridges
20-year property	Farm buildings that are not agricultural or horticultural structures
27.5-year property	Residential rental property
39-year property	Nonresidential real estate, including a home office but not including the value of the land

Recovery periods are the anticipated useful lifespan of a fixed asset. For example, cars have a five-year recovery period because the IRS anticipates that they'll have a useful lifespan of five years. While the car will probably run longer than that, you're not likely to continue using that car for business purposes after the first five years. You're more likely to trade it in and get a new car.

Most accountants use the IRS estimates of useful life unless there's something unique about the way the business uses its fixed assets, such as a trucking company whose trucks get used up more quickly than those used by a business for occasional deliveries.

In order to calculate depreciation for an asset, you need to know the cost basis of that asset. Here's how you determine cost basis:

*Cost of the fixed asset + Sales tax + Shipping and delivery costs + Installation charges + Other costs*  
= *Cost basis*

- **Cost of the fixed asset:** What you paid for the equipment, furniture, structure, vehicle, or other asset.
- **Sales tax:** What you were charged in sales tax to buy the fixed asset.
- **Shipping and delivery:** Any shipping or delivery charges you paid to get the fixed asset.



- **Installation charges:** Any charges you paid in order to have the equipment, furniture, or other fixed asset installed on your business's premises.
- **Other costs:** Any other charges you need to pay to make the fixed asset usable for your business. For example, if you buy a new computer and need to set up certain hardware in order to use that computer for your business, those setup costs can be added as part of the cost basis of the fixed asset (the computer).

# **The most important metrics for hotel revenue managers**

**By: Joan Evelyn Lee**

October 14, 2016

The hospitality industry is one of the most comprehensive and detailed when it comes to analytics and its key performance indicators (KPIs). By measuring every aspect of its revenue streams, these KPIs can really reveal important information about the health of a property and help revenue managers make better decisions about how to better improve the profitability of the hotel.

We've put together a list of the most important metrics relevant to hotel revenue managers. This convenient cheat sheet begins with the most common terms and gets more specific toward the end. We'll follow up this post specifically with a list of the most important metrics for hotel e-commerce managers—specifically those who deal with online distribution and the hotel website.

## **Key hotel revenue metrics**

### **Occupancy (OCC)**

This is the percentage that shows how many of your available rooms were sold for any given period. It is calculated by dividing the number of rooms sold by total number of rooms available and it could be applied to any specific period of time you want to analyze: daily, weekly, monthly, or yearly.

### **Average Daily Rate (ADR)**

This is the second most common term that comes up in any hotel discussion. It represents the simple average of all rates guests paid for one night of their stay on any given night. Because guests each pay different rates for their respective stays, ADR sums them all up and blends them into one single average rate. It is calculated by dividing total room revenue for the night by total number of rooms sold. This can also be applied to any specific period of time, not just daily.

### **Revenue per Available Room (RevPAR)**

The most comprehensive and important metric hoteliers depend on to make smart decisions is RevPAR. It blends occupancy with ADR but also includes the impact of your unsold rooms, giving you a true picture of profitability and success. It is calculated by dividing the total room revenue by the total number of rooms available (or alternatively, multiplying OCC by ADR for any given time period). It is the first metric a seasoned hotelier would want to look at when analyzing the health of a hotel business.

### **Average Length of Stay (ALOS)**

This metric identifies the average length of stay of your guests, which is calculated by dividing the total occupied room nights by the number of bookings. A higher number is better, as a low LOS metric means reduced profitability due to increased labor costs. For example, 7 one-night guests require more labor costs than serving 1 weeklong guest, even though the total room nights are the same.

If your LOS metric shows that for a certain time period you are accommodating more one-night stays than usual, then you can make revenue management adjustments and maybe increase your one-night rate while offering a more forgiving rate for 2+ night stays. Similarly, if you have a slow day in the week (usually Sundays), you can place a minimum LOS restriction on Saturdays, channeling more 2+ night guests to your demand pool and helping your slow days.

### **Comp Set**

For hotels, choosing a competitive set is one of the most important things you can do in order to get accurate metrics on how your hotel is doing compared to its competitors in any given market. Although it is highly subjective, most hotels choose their comp set based on factors such as neighborhood, type of hotel, number of rooms, facilities, ADR, and more. Essentially, all the hotels within a comp set should compete in that geographic market for the same type of customers (demand).

### **Market Penetration Index (MPI)**

Also referred to as an Occupancy Index, the MPI is a key comparison metric from one of the most essential reports in the industry called the Smith Travel Accommodations Report. Most hoteliers simply call it the “STR Report.” MPI compares your hotel’s share of business in your market to your competitors, giving you a picture of your share in the overall market occupancy rate (how big a slice of the pie you’re getting in your market).

You can calculate it by dividing your hotel’s occupancy rate by that of your comp set and multiplying the result with 100. Any number below 100 will mean that you are not getting your fair share of the demand in your market and any number over 100 means that you’re doing an excellent job and in fact stealing business from your comp set. MPI is the first metric that shows how you are doing compared to others in your industry.

### **Average Rate Index (ARI)**

ARI is used to measure a hotel’s ADR performance compared to its competitive set. You find ARI by dividing your hotel’s ADR by your competitive set’s ADR and multiplying the result by 100. Analyzing fair share principle is same as MPI, where any number below 100 indicates poor performance, while anything above 100 is excellent. This metric can also be found on daily, weekly and monthly STR reports.

### **Revenue Generated Index (RGI)**

Also known as the RevPAR Index, RGI blends MPI and ARI to show you a more complete performance snapshot compared with your competitors. MPI and ARI alone are not enough to show all the details. For example, you might have achieved excellent results in your MPI that are above 100 while your ARI might have suffered. It means that you sold your rooms at rates lower than your market can absorb. While you might have stolen occupancy share from your competitors, if your ARI is much lower than 100, then your comp set might have potentially reached the same revenue total as yours with less effort at a lower cost, increasing their profit per rooms sold. Your RGI metric will help solve that puzzle for you.

# Measuring and Managing Labor Costs

Posted by Jim McGinty on Thursday, November 17th, 2016

No single measure can be used to evaluate labor productivity; management must employ multiple measures collectively. Management must have a better index of labor productivity and no single measure can efficiently accomplish that. Therefore, additional measures are needed to properly analyze labor costs. The additional information needed is readily available as it is compiled on a daily or weekly basis. These measures are:

- Covers per labor hour
- Labor cost per cover
- Labor cost per labor hour

Where do you start? Each time payroll is processed; total labor hours by job category are tallied. Management will compare actual hours worked to those originally scheduled and look for variances. If hours worked are greater than scheduled hours, they will investigate to determine the job category where the variance occurred.

Employee schedules are determined not by revenue but by covers or what you might refer to as customer counts. The "covers per labor hour" is perhaps the best indicator of labor productivity because it is not distorted by the way sales are affected by price increases and discounts. Although some drops in customer counts occur in the long run when prices are increased, covers per labor hour remains the most effective indicator of employee productivity. The number of covers per labor hour is calculated for each job category as well as for the entire payroll by dividing total labor hours by the customer count.

The "labor cost per labor hour" is another productivity index. It is calculated by dividing total payroll by total labor hours. When calculated by respective job categories, one can readily see the wage differentials between jobs. This information can assist management in establishing wage ranges for each job category.

The third index of productivity is the "labor cost per cover." This tells us how much labor is used to serve each customer that comes into your restaurant. The total payroll is divided by the number of customers. Analysis of this index by job category will show a very wide spread between categories like hostess/cashiers, servers and cooks. The averages in each job category are controlled by the number of employees, the average hourly wages, and the number of hours worked.

There are some great labor scheduling tools available to help control costs, save management time building schedules and keep your employees informed and connected. There is no excuse to be using spreadsheets or substandard scheduling applications. It also means that finding the right software provider will likely mean finding the least expensive provider that integrates with your existing POS system and payroll software.

## WHAT TO EXPECT

Many entrepreneurs start their business at least in part because of pride of ownership and the satisfaction that comes from being their own boss. In addition, of course, you almost certainly also started your business to generate profits. This training guide will introduce you to several methods that will help you analyze your company's operations and compute the profitability of your business.

Among the tools to which you will be introduced are profitability ratios, break-even analysis, return on assets and return on investment.

Some of these concepts, and some of the vocabulary we will use to describe them, may be new to you. But we've tried to explain the terminology and concepts as they are introduced. Where appropriate, we've pointed you to additional sources of information.

## WHAT YOU SHOULD KNOW BEFORE GETTING STARTED

There are several ways to measure your company's profits other than just looking at your bank account (which, to tell the truth, doesn't tell you much about profitability.) In the following pages we will introduce you to three methods of analyzing how well your company is doing:

- § Margin (or profitability) ratios
- § Break-even analysis (based on revenues and on units sold)
- § Return on assets and on investment

**Watch Out For...** Before you get started, you or your bookkeeper should have prepared an income (or profit and loss) statement for your business. The techniques to which we will be introducing you on the following pages are intended to make your income statement more understandable and meaningful for you. If an income statement has not been prepared, the information below on constructing a common size income statement will not be of much relevance, and the data you need for break-even analysis may be missing.

This guide looks at several aspects of financial ratio analysis. In case your high school math is a bit rusty, a ratio is simply a comparison between two numbers. If a basketball team has won six games and lost three, its ratio of wins to losses is six to three, which is equivalent to a ratio of two to one. If another team has won eight games and lost four, it also has a win/loss ratio of two to one. In the business arena, the most commonly used kind of financial ratios are various comparisons of two numbers from a company's financial statements, such as the ratio of net income to annual sales. A ratio can be written in several different ways:

**2:1      2-to-1      2/1      2**

In these pages, when a ratio is in the text, it will be written out using the word "to," as in "two to one." If it is in a formula, the slash sign (/) will be used to indicate division, as in "2/1."

## PROFITABILITY RATIOS

Here are the profitability ratios that small business owners should look at regularly:

- § Gross Profit Margin Ratio.
- § Operating Profit Margin Ratio.
- § Net Profit Margin Ratio.
- § Other Common Size Ratios

Don't worry if some or even all of these terms are unfamiliar. We will define each of them as we go along, and will explain how you can best use them.

The three measurements of profits — gross profit, operating profit and net profit — all come from your company's income statement.

As a reminder, here is a definition of gross profit, operating profit and net profit. (As you will see, the definitions build on one another, reflecting the way net sales are affected by increasing expense components.)

**Gross profit = Net sales minus the costs of goods sold.**

(As a reminder — Net sales = gross sales less any returns and discounts.)

**Operating profit = Gross profit minus selling and administrative expenses**

(Administrative expenses = salaries, payroll taxes, benefits, rent, utilities, office supplies, insurance, depreciation, etc.)

Operating profit includes all expenses EXCEPT income taxes.

**Net Profit = Operating profit (plus any other income) minus any additional expenses and minus taxes.**

Net profit is what is known as "the bottom line."

As you can see, each of these three terms is simply a way of expressing profit when different categories of expense are included. Gross profit is the difference between sales and the costs of goods sold. Operating profit is the difference between sales and the costs of goods sold PLUS selling and administrative expenses. And finally, net profit is the difference between net sales and ALL expenses, including income taxes.

The three ways of expressing profit can each be used to construct what are known as profitability ratios. This is done by dividing each item into net sales and expressing the result as a percentage. For example, if your company had gross sales of \$1 million last year, and net profits were \$50,000, that's a ratio of  $50,000/1,000,000$  or 5%.

There are several reasons that ratios are expressed as percentages. This makes it easy to compare your company's results at different time periods. It also allows you to compare your company's results with

those of your peers or competitors, and with industry "benchmark" ratios (which will be discussed in more detail below.)

It's easier to discuss these ratios using actual numbers, so we've included the following income statement for the fictional Doobie Company. Look at line numbers 3, 9, and 14. We will use the Doobie Company's gross profit (line 3), operating income (line 9) and net income (line 14) numbers to compute the three profitability ratios.

### **Doobie Company Income Statement**

**for the period ending December 31, 200x**

Item	\$	1.	Sales	\$200,000	2.	Cost of goods sold	130,000	3.	Gross Profit	70,000	4.	Operating expenses:	5.	Selling expenses	22,000	6.	General expenses	10,000	7.	Administrative expenses	4,000	8.	Total operating expenses	36,000	9.	Operating income	34,000	10.	Other income	2,500	11.	Interest income	500	12.	Income before taxes	36,000	13.	Income taxes	1,800	14.	Net profit	34,200
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### **Gross Profit Margin Ratio**

Gross profit is what is left after the costs of goods sold have been subtracted from net sales. (Cost of goods sold, also called "cost of sales," is the price paid by your company for the products it sold during the period you are looking at. It is the price of the goods, including inventory or raw materials and labor used in production, but it does not include selling or administrative expenses.)

The ratio of gross profit as a percentage of sales is an important indicator of your company's financial health. Without an adequate gross margin, a company will be unable to pay its operating and other expenses and build for the future.

Here is the formula to compute the gross profit margin ratio:

**Gross profit margin ratio = (Gross profit/sales) x 100**

(Multiplying by 100 converts the ratio into a percentage.)

Let's use the income statement data for the fictitious Doobie Company and compute the gross margin ratio for the company:

**Doobie Company Gross Margin Ratio:**

$$\text{\$70,000/200,000} = .35$$

$$.35 \times 100 = 35\%$$

The gross profit margin ratio for the Doobie Company is 35%.



Your company's gross margin is a very important measure of its profitability, because it looks at your company's major inflows and outflows of money: sales (money in) and the costs of goods sold (money out.) It is a real measure of profitability, because it must be high enough to cover costs and provide for profits. Because it is an important barometer, you should monitor it closely.

In general, your company's gross profit margin ratio should be stable. It should not fluctuate much from one period to another, unless the industry your company is in is undergoing changes which affect the costs of goods sold or your pricing policies. The gross margin is likely to change whenever prices or costs change.

### **Operating Profit Margin**

The operating profit margin is an indicator of your company's earning power from its current operations. This is the core source of your company's cash flow, and an increase in the operating profit margin from one period to the next is considered a sign of a healthy, growing company. (If your company's operating income is not sufficient to generate the cash you need to keep operating, you must find other sources of cash.)

Here is the formula to compute the operating profit margin ratio:

$$\text{Operating Profit Margin} = (\text{Operating Income}/\text{Sales}) \times 100$$

Using the income statement data for the Doobie Company, we can compute the following operating profit margin:

#### **Doobie Company Operating Profit Margin Ratio:**

$$\$34,000/200,000 = .17$$

$$.17 \times 100 = 17\%$$

The operating profit margin ratio for the Doobie Company is 17%.

In general, the operating profit margin is an indicator of management skill and operating efficiency. It measures your company's ability to turn sales into pre-tax profits. It is a ratio that you can use to compare your company's competitive position to others in the same industry.

Because it looks at a company's operating income before taxes are subtracted, the operating profit margin is sometimes considered a more objective evaluator than the net profit margin ratio. (However, as you will see, this is not true for the Doobie Company. Given the small amount paid in taxes, the gross profit margin and the net profit margin ratios are nearly identical.)

## Net Profit Margin Ratio

The formula for the net profit margin ratio is as follows:

$$\text{Net Profit Margin Ratio} = (\text{Net Income}/\text{Sales}) \times 100$$

**Doobie Company Net Profit Margin Ratio:**

$$\$34,200/200,000 = .17$$

$$.17 \times 100 = 17\%$$

The net profit operating margin ratio is 17%.

**Now that you know how to calculate the gross profit margin ratio, the operating profit ratio, and the net profit margin ratio, and why they are used, take a break from reading this guide and calculate these ratios for your own company.**

## Other Common Size Ratios

While the calculation and evaluation of the gross profit margin ratio, the operating profit ratio, and the net profit margin ratio are important, there are many other helpful tools you can use to get real information from the data in your company's income statement.

One of the most useful ways for the owner of a small business to look at the items listed on the income statement is to see how each one relates to sales. This is done by constructing "common size" ratios for the entire income statement. The phrase "common size ratio" may be unfamiliar to you, but it is simple in concept and just as simple to create. You just calculate each line item on the income statement as a percentage of total sales. (Divide each line item by total sales, then multiply each one by 100 to turn it into a percentage.)

For example, cost of goods sold at the Doobie Company were \$70,000, while sales were \$200,000. So the common size ratio for cost of goods sold was 70,000/200,000, or .35. Multiplied by 100, that's 35%.

Here is what a common size income statement looks like for the Doobie Company.

### Doobie Company

#### Common Size Income Statement

for the period ending December 31, 201x

Sales	\$ 200,000	100%	Cost of goods sold	130,000	65%	Gross Profit	70,000	35%	Operating expenses		
			Selling expenses	22,000	11%	General expenses	10,000	5%	Administrative expenses	4,000	2%
			Total operating expenses	36,000	18%	Operating income	34,000	17%	Other income	2,500	1%
			Total income	36,500	18%	Interest expense	5,000	0%	Income before taxes	36,000	18%
			Income taxes	1,800	1%	Net income	34,200	17%			

Once operating income and expense data are turned into percentages of sales, you can begin to analyze the profitability of your company more effectively. Look back over the past several periods (years, quarters or months, whatever is appropriate) and you may soon spot changes in the size of some line items' ratios that reflect problems that need fixing or progress that can be enhanced.

It is also very useful to compare your company's common size ratios to those of your competitors, or to peers in your industry. Privately held companies won't let you see their financial statements, but several organizations publish almanacs of key business ratios. These are listed in the Resources section at the end of this manual. Your accountant or banker may have access to these or other compilations of ratios for your industry.

Common size ratios allow you to begin to make knowledgeable comparisons with past financial statements for your own company and to assess trends — both positive and negative — in your financial statements. They can also be highly informative when you compare them with the ratios of other companies in your industry.

Owners and managers should carefully watch the three most important profitability ratios: gross profit, operating profit, and net profit. The usefulness to you of the other ratios calculated from the income statement will vary depending on the specific line item and the type of business you are in.

One of the most effective way for you to use common size ratios as a management tool is to prepare them on a regular basis (at least quarterly, and monthly is better) and compare the ratios from one period to another. If you put them side by side in a computer spreadsheet, you can easily spot significant positive or negative changes.

**Compute the common size ratios for your company. Which ratios do you think are most important? What line items on your income statement are most significant to you, or cause you most concern? How do your company's ratios compare with others in your industry?**

**(For more help understanding these ratios, read the Business Builder titled [How to Analyze Your Business Using Financial Ratios.](#))**

## **BREAK-EVEN ANALYSIS**

The term "break-even analysis" is another phrase which may seem complex, but the concept behind it is actually quite simple.

Remember that break-even is the point at which revenues equal expenses. Until your company reaches break-even, you are generating red ink; your costs for materials, labor, rent and other expenses are greater than your gross revenues. Once you pass the break-even point, revenues exceed expenses. After break-even, a portion of each dollar of sales contributes to profits. It is only when you pass break-even that profits begin to be generated.

Break-even analysis is a simple but effective tool you can use to evaluate the relationship between sales volume, product costs and revenue.

It is certainly useful for you to calculate your company's current break-even point. If your company is profitable you may want to know how much breathing room you have should revenues take a dip. If your company is losing money, knowing the break-even point will tell you how far you are from beginning to turn a profit.

In addition to evaluating your present situation you can, and should, also use break-even analysis for profit planning. We will show you how to calculate a break-even point both for sales and for units sold.

### **Break-Even Analysis For Sales**

To calculate the sales break-even point for your business you should have (or be able to estimate) three pieces of information about your business:

- § Fixed expenses
- § Variable expenses (expressed as a percentage of sales)
- § Sales

Using just these three pieces of data, you can perform a break-even analysis for your company. Before we do that, however, let's quickly review the concepts of fixed and variable expenses.

Expenses that are defined as "fixed" do not vary with sales. They are the day-to-day expenses that your business will incur regardless of how sales volume is increasing or decreasing. Some examples of fixed expenses include overhead, administrative costs, rent, salaries, office expenses, and depreciation.

Variable expenses, on the other hand, do vary with sales. Let's say your company makes paper clips by cutting and bending pieces of wire. As you sell more paper clips, you have to buy more wire. The expense for wire varies with your sales. Typical variable expenses include the cost of goods sold (as shown on the income statement) and variable labor costs (like overtime wages or salaries for sales personnel.) Variable expenses will increase and decrease according to sales volume.

Make the best guess you can to divide expenses into the categories of fixed and variable. There are no hard and fast rules for the allocations; it is up to you and your knowledge of the business.

Once you have the three pieces of information — fixed expenses, variable expenses, and sales — you can use the information in conjunction with the following formula for calculating your company's break-even point.

At the break-even point, **Sales = Fixed Expenses + Variable Expenses**

or

$$\mathbf{S = F + V}$$

As you can see from the formula, sales at the break-even point are equal to expenses. Until sales reach the break-even point no profits can be recorded, but the next sales dollar will contribute to profits.

Now, let's calculate the level sales must reach to achieve break-even. To do it, we will find what percentage current variable expenses are of total sales.

Here is how the owners of the Doobie Company would calculate the break-even point for their business, using data taken from the income statement above. Their first step is to separate fixed costs from variable costs. The Doobie Company's only variable cost is the cost of goods sold. Selling, general, and administrative expenses are all fixed costs. (For your company, the data may not break out so evenly. Just divide fixed and variable costs to the best of your ability.)

For the Doobie Company, the formula — **Sales at the break-even point = Fixed Expenses + (Variable Expenses expressed as a % of sales)** — translates into the following:

$$\text{Sales at the break-even point} = 36,000 + .65S$$

(Fixed expense of 36,000 is calculated based on data from the Doobie Company's income statement: Selling expense = \$22,000, General expense = \$10,000, Administrative expense = \$4,000. These expenses total \$36,000.)

Variable expense for the Doobie Company is the cost of goods sold as a percentage of sales. Looking at the Doobie Company common size income statement, we see that the cost of goods sold is \$130,000, or .65 of sales.

Now we have to solve the equation

$$S = 36,000 + .65S$$

where "S" stands for "Sales at the break-even point."

Move the ".65S" to the other side of the equal sign. (As you may remember from algebra class, it becomes a negative .65S when you move it to the other side of the equation.) So now we have, on one side of the equation, 1S minus .65S, as shown below:

$$1S - .65S = 36,000$$

or

$$.35S = 36,000$$

Now we can easily solve for S (which here stands for "Sales at the break-even point") by dividing .35S into 36,000.

$$S = \$102,857$$

The Doobie Company is at its break-even point when sales total \$102,857. The next dollar of sales will include some profit.

**Calculate the sales break-even point for your business.**

### **Using Break-Even Analysis for Profit Planning**

Now that we understand how to calculate the break-even point, we can make one small adjustment to the break-even analysis formula so we can do some "what if" planning about profitability. After all, you don't want to just know where you are today in terms of break-even. You almost certainly also want to know how to attain a given amount of profit.

You can easily calculate the amount of sales necessary for a desired amount of net income before taxes. We just revise the formula slightly by adding the amount of net income you want your company to earn, as follows:

**Sales at the break-even point = Fixed expenses + Variable expenses as a percentage of sales + Desired Net Income.**

Let's say the owners of the Doobie Company have a goal of, say, \$50,000 in net income before taxes, and want to know what level of sales will be required to generate that. They just make the following calculation:

$$\text{Sales at the break-even point} = 36,000 + .65S + 50,000$$

Using our handy high school algebra again, we solve the formula in these steps:

$$S = 36,000 + .65S + 50,000$$

$$S = 86,000 + .65S$$

$$1S - .65S = 86,000$$

$$.35S = 86,000$$

$$S = 245,714$$

The Doobie Company must generate sales of \$245,714 to produce a net income before taxes of \$50,000.

**Use break-even analysis to calculate a specified amount of net income for your business.**

### **Break-Even Analysis for Units Sold**

Depending on what kind of business you are in, it may be useful for you to calculate break-even in terms of the number of units sold as well by revenues. In other words, you want to know the number of units that must be sold to reach the break-even point. This can be calculated using this formula:

**Break-even for Units to be Sold = Fixed expenses divided by (Unit sales price minus Unit variable expenses)**

This formula needs two new bits of information: the unit sales price and the unit variable expense.

If you know the sales price for your company's products (for the Doobie Company it is \$20.00 per unit) you can compute the unit variable expense, using the variable expense as a percentage of sales; we developed that figure earlier in this guide.

For the Doobie Company, the variable expense was .65. So the unit variable sales expense is \$20 multiplied by .65, which equals \$13. What this means is that each unit has a variable cost of \$13.

Plugging the data into the formula, it looks like this:

**Break-even for units to be sold = Fixed expenses divided by (Unit sales price minus Unit variable expenses)**

**Let S = Break-even for units to be sold**

$$S = 36,000 / (20 - 13)$$

$$S = 36,000 / 7$$

$$S = 5,142$$

The Doobie Company must sell 5,142 units to break even. If it sells only 5,141, it is not yet generating any profits. On the 5,143rd unit it sells, part of the revenue from the sale of that unit will contribute to profits.

**If appropriate for your business, calculate the number of units that must be sold to reach the break-even point.**

### **CALCULATING RETURN ON ASSETS AND RETURN ON INVESTMENT [\[top\]](#)**

The final two types of profitability analysis we will discuss in this manual are:

## Return on Assets

and

## Return on Investment

## Return on Assets

You use the return on assets ratio to measure the relationship between the profits your company generates and assets that are being used. You compute it using data from both the income statement and the balance sheet.

Let's use an abridged balance sheet for the Doobie Company to see how these ratios are calculated and used:

### Doobie Company

#### Balance Sheet

For the year ending December 31, 200x

Assets	Current Assets	\$ 65,000	Fixed Assets	115,000	Total Assets	180,000	Liabilities	Current
Liabilities	40,000	Long-term Liabilities	100,000	Owner's Equity	40,000	Total Liabilities and	Assets	180,000

The formula for computing return on assets is as follows:

**Return on assets = Net income before taxes/Total assets x 100**

(Multiplying by 100 converts the ratio into a percentage.)

Doobie Company's Return on Assets:

$$(36,000/180,000) \times 100 = 20\%$$

This ratio is useful when you compare the figure for the most recent period with results from earlier periods in your company's history. It can also be very informative when you compare your company's return on assets with the returns generated by other businesses in your industry.

If your company's return on assets ratio is lower than those of other companies, this may indicate that your competitors have found ways to operate more efficiently. If your company's current return on assets is lower than it was a year ago, you should look at what has changed in the way your company is using its resources.



## Return on Investment

Return on investment is considered by many executives to be the most important profitability ratio. It measures the return on the owner's investment (or owners', if there are more than one.) For you as a small business owner, the return on investment figure can help you decide whether all of your hard work has been worth it. If the return you are receiving on the money invested in your company does not at least equal the return you would receive from a risk-free investment (such as a bank CD), this could be a red flag.

Here is the formula:

**Return on investment = Net profit before Tax/Net worth**

Return on Investment for the Doobie Company:

$$36,000/40,000 = .90$$

Doobie Company return on investment = 90%.

**Calculate the return on assets and return on investment for your company. Compare them to at least one source of compiled financial ratios (as noted in the Resources section below.) How do your ratios compare to others in your industry?**

## CHECKLIST

This guide has introduced several different methods of evaluating profitability. Used alone or in combination, they can give a small business owner a good picture of the financial viability of his or her business.

As a management tool, objective profitability measures such as the ones shown here are invaluable tools for financial management. They are also important to the small business owner because these common profitability measures will be used by outsiders, such as bank loan officers, investors, and, even, merger and acquisition specialists, to evaluate the management skill and potential for success of a company.

## Profitability Ratios

- § Has your gross profit margin been stable over the last few periods? If not, why?
- § What common size ratios are most important to your business?
- § Did you consult at least one source of compiled financial ratios to evaluate how your ratios compare to others in your industry?

## Break-Even Analysis

- § Did you include depreciation and overhead as fixed costs?
- § Do all the variable costs you listed truly vary with sales volume?

## Return on Assets and Return on Investment

- § When you calculated return on assets and return on investment, did you use net profit **before** tax?
- § Is your company producing a return on investment that's acceptable to you, given the resources employed and the rates of interest you could earn on alternative investments?

## RESOURCES

### Sources of Information on Profitability Analysis

How to Read and Interpret Financial Statements, American Management Association, 1992.

Budgeting and Finance (First Books for Business) by Peter Engel. (McGraw-Hill, 1996).

The Credit Process: A Guide for Small Business Owners by Tracy L. Penwell. (Federal Reserve Bank of New York, 1994).

### Sources of Information on Financial Ratios

RMA Annual Statement Studies, RMA — The Risk Management Association. Data for 325 lines of business, sorted by asset size and by sales volume to allow comparisons to companies of similar size in the same industry. The "common size" (percentage of total assets or sales) is provided for each balance sheet and income statement item.

Almanac of Business and Industrial Financial Ratios, annual, by Leo Troy. (Prentice-Hall, Inc.). Information for 150 industries on 22 financial categories. Data is usually three years prior to the publication date.

Financial Studies of the Small Business by Karen Goodman. (Financial Research Associates). Focusing on business with capitalizations under \$1 million, providing financial ratios and other information.

Industriscope: Comprehensive Data for Industry Analysis. (Media General Financial Services). Compare company-to-company, company-to-industry & industry-to-industry; 215 industry groups; over 9,000 companies grouped within their industry; over 40 key items listed on each company & industry; price, price change & relative price data; shareholdings data; revenue, earnings & dividend data; ratio analysis; historical archives available back to May 1973.

**Writer:** E. Bond, Alex Auerbach

Ordinary Income/Expense	Community Groups	Weddings & Memorials	Cal Fire & Forest Service	ECCO Programs	Christian	Diocese	Education	Road Scholar	Guest-Other	Interest/Dividends	Reimb. (Other)	Other - Other (Other)	Total Other	Store	Unclassified	TOTAL
<b>Income</b>																
4000 - Contract Revenue																
4010 - Non-Resident Fees																
4011 - Meeting Rooms	1,366.00	4,250.00	1,200.00	240.00	764.00	684.00	670.00	0.00	2,456.00	0.00	0.00	0.00	0.00	0.00	0.00	11,630.00
4012 - Surchage	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4014 - Showers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total 4010 - Non-Resident Fees</b>	<b>1,366.00</b>	<b>4,250.00</b>	<b>1,200.00</b>	<b>240.00</b>	<b>764.00</b>	<b>684.00</b>	<b>670.00</b>	<b>0.00</b>	<b>2,456.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>11,710.00</b>
4100 - Resident Fees																
4110 - Lodges	0.00	400.00	1,288.00	3,300.00	8,888.00	12,113.00	10,275.00	56,700.00	13,553.60	0.00	0.00	0.00	0.00	0.00	0.00	106,517.60
4110.1 - Private Rooms	270.00	480.00	61,740.00	50,870.00	4,000.00	13,571.00	125,000.00	36,052.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	298,443.00
4110.2 - Double Rooms	840.00	0.00	2,200.00	1,100.00	40,533.00	386.00	7,935.00	800.00	17,043.60	0.00	0.00	0.00	0.00	0.00	0.00	70,837.60
4110.3 - Triple/Quad Rooms	0.00	0.00	0.00	0.00	1,855.00	0.00	0.00	6,750.00	531.20	0.00	0.00	0.00	0.00	0.00	0.00	9,136.20
4110.9 - Youth	1,110.00	880.00	65,228.00	102,146.00	16,489.00	31,781.00	0.00	189,250.00	67,190.40	0.00	0.00	0.00	0.00	0.00	0.00	484,934.40
4111 - Dorm	0.00	0.00	4,534.00	0.00	20,279.00	275.00	6,428.00	0.00	3,104.00	0.00	0.00	0.00	0.00	0.00	0.00	34,620.00
4112 - Camp Sites	0.00	0.00	0.00	0.00	140.00	67.50	0.00	100.00	508.00	0.00	0.00	0.00	0.00	0.00	0.00	815.50
4113 - Meals	9,990.00	4,371.00	142,507.00	14,061.50	150,202.20	17,587.40	49,078.00	173,881.00	69,502.70	0.00	0.00	0.00	0.00	0.00	0.00	631,163.80
4114 - Program	0.00	0.00	0.00	14,893.00	0.00	0.00	0.00	175,608.00	1,478.10	0.00	0.00	0.00	0.00	0.00	0.00	191,979.10
4114.1 - Program Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	127,350.00	1,520.00	0.00	0.00	0.00	0.00	0.00	0.00	128,870.00
4114.2 - Bus	0.00	0.00	0.00	14,893.00	0.00	0.00	0.00	302,958.00	2,998.10	0.00	0.00	0.00	0.00	0.00	0.00	320,849.10
Total 4114 - Program	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4190 - Per Person Charges (In & Out)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total 4100 - Resident Fees</b>	<b>11,100.00</b>	<b>5,251.00</b>	<b>212,269.00</b>	<b>39,814.50</b>	<b>272,627.20</b>	<b>34,501.40</b>	<b>87,354.50</b>	<b>666,189.00</b>	<b>143,293.20</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,472,399.80</b>
<b>Total 4000 - Contract Revenue</b>	<b>12,466.00</b>	<b>9,501.00</b>	<b>213,549.00</b>	<b>40,054.50</b>	<b>273,391.20</b>	<b>35,185.40</b>	<b>88,024.50</b>	<b>666,189.00</b>	<b>145,749.20</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,484,109.80</b>
4115 - Other Contract Revenue																
4115.1 - Minimum Guarantee	0.00	0.00	0.00	0.00	3,781.00	0.00	2,442.50	0.00	1,750.20	0.00	0.00	0.00	0.00	0.00	0.00	7,973.70
4115.10 - Online Processing Fee	0.00	12.24	28.68	0.00	17.44	0.00	0.00	0.00	2.16	0.00	0.00	0.00	0.00	0.00	0.00	60.52
4115.2 - Camping	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4115.3 - Cancellation	0.00	0.00	800.00	0.00	0.00	0.00	0.00	5,800.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,400.00
4115.4 - Servers	279.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	279.00
4115.5 - Supplement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,543.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,543.00
4115.6 - Overpayment - Refunded	0.00	0.00	0.00	0.00	410.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	410.00
4115.7 - Glassware	0.00	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50.00
4115.9 - Staff Gratuity	0.00	0.00	0.00	0.00	639.00	0.00	0.00	0.00	425.00	0.00	0.00	0.00	0.00	0.00	0.00	1,068.00
<b>Total 4115 - Other Contract Revenue</b>	<b>279.00</b>	<b>62.24</b>	<b>0.00</b>	<b>832.68</b>	<b>4,830.00</b>	<b>17.44</b>	<b>2,442.50</b>	<b>9,143.00</b>	<b>2,177.36</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>19,784.22</b>
4200 - Other Revenue																
4220 - Donations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	174.50	174.50	59.03	0.00	233.53
4220.1 - Non-designated	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,000.00	3,000.00	0.00	0.00	3,000.00
4220.2 - Other Donations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total 4220 - Donations</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>3,174.50</b>	<b>3,174.50</b>	<b>59.03</b>	<b>0.00</b>	<b>3,233.53</b>
4240 - Store	0.00	0.00	81.60	0.00	5.00	0.00	0.00	0.00	5.60	0.00	0.00	0.00	0.00	2,655.29	14.64	2,747.49
4270 - ECCO/Grove Utilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total 4270 - ECCO/Grove Utilities</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
4280 - Dividends & Interest Earned																
4280.1 - Interest Earned	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	140.48	0.00	0.00	0.00	0.00	0.00	0.00
4280.2 - Dividends	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,322.00	0.00
<b>Total 4280 - Dividends &amp; Interest Earned - Other</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>140.48</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,322.00</b>	<b>0.00</b>
4290 - Other Income																
4290.1 - Other Types of Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	650.77	650.77	0.00	272.34	650.77
4290.3 - Staff Gratuity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4290 - Other Income - Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,300.00	0.00	0.00	1,100.00	1,100.00	218.00	0.00	5,618.00
<b>Total 4290 - Other Income</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4,300.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,750.77</b>	<b>1,750.77</b>	<b>218.00</b>	<b>0.00</b>	<b>6,288.77</b>
<b>Total 4200 - Other Revenue</b>	<b>0.00</b>	<b>0.00</b>	<b>81.60</b>	<b>0.00</b>	<b>5.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4,305.60</b>	<b>143.91</b>	<b>0.00</b>	<b>4,925.27</b>	<b>4,925.27</b>	<b>2,932.32</b>	<b>2,033.98</b>	<b>12,248.58</b>
<b>Total Income</b>	<b>12,745.00</b>	<b>9,563.24</b>	<b>213,630.60</b>	<b>40,887.18</b>	<b>278,226.20</b>	<b>35,202.84</b>	<b>90,467.00</b>	<b>675,332.00</b>	<b>152,232.16</b>	<b>143.91</b>	<b>0.00</b>	<b>4,925.27</b>	<b>4,925.27</b>	<b>2,932.32</b>	<b>2,033.98</b>	<b>1,516,143.81</b>
<b>Gross Profit</b>	<b>12,745.00</b>	<b>9,563.24</b>	<b>213,630.60</b>	<b>40,887.18</b>	<b>278,226.20</b>	<b>35,202.84</b>	<b>90,467.00</b>	<b>675,332.00</b>	<b>152,232.16</b>	<b>143.91</b>	<b>0.00</b>	<b>4,925.27</b>	<b>4,925.27</b>	<b>2,932.32</b>	<b>2,033.98</b>	<b>1,516,143.81</b>
<b>Expense</b>																
5100 - Operations																
5110 - Operations Wages	1,234.21	746.62	44,477.10	3,016.95	34,771.07	4,220.68	10,300.28	36,294.78	17,309.35	0.00	0.00	0.00	0.00	0.00	0.00	152,371.03
5111 - Employer Payroll Taxes	459.49	277.97	16,556.78	1,123.21	12,945.23	1,571.35	3,834.78	13,512.51	6,444.25	0.00	0.00	0.00	0.00	0.00	0.00	56,727.57
5112 - Benefits																
5112.1 - Health Insurance	887.77	537.05	31,892.78	2,170.12	25,011.14	3,035.97	7,409.08	26,107.16	12,450.77	0.00	0.00	-28.20	-28.20	0.00	109,601.84	109,573.64
5112.2 - Pension	357.42	216.22	12,880.43	873.70	10,869.69	1,222.39	2,882.93	10,510.86	5,012.73	0.00	0.00	0.00	0.00	0.00	44,128.18	44,128.18
<b>Total 5112 - Benefits</b>	<b>1,245.20</b>	<b>753.27</b>	<b>44,873.21</b>	<b>3,043.81</b>	<b>35,080.73</b>											

Contract Revenue By Guest Days	Community Groups	Weddings & Memorials	Cal Fire & Forest Service	ECCO Programs	Christian	Diocese	Education	Road Scholar	Nonprofit Other	Totals
<b>Revenue</b>	\$ 12,745.00	\$ 9,563.24	\$ 213,630.60	\$ 40,887.18	\$ 278,226.20	\$ 35,202.84	\$ 90,467.00	\$ 675,332.00	\$ 152,232.16	\$ 1,508,286.22
<b>Distributed Expenses</b>	\$ 9,477.79	\$ 5,687.83	\$ 328,825.39	\$ 27,175.64	\$ 265,214.85	\$ 32,183.62	\$ 78,589.49	\$ 428,047.10	\$ 132,130.80	\$ 1,307,332.51
<b>Net Contribution</b>	\$ 3,267.21	\$ 3,875.41	(\$115,194.79)	\$ 13,711.54	\$ 13,011.35	\$ 3,019.22	\$ 11,877.51	\$ 247,284.90	\$ 20,101.36	\$ 200,953.71

## What Are Your True Variable Costs Per Occupied Room?

By William D. Frye

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June 30, 2014

Knowing the average, actual costs incurred per occupied guestroom enables a manager to make more prudent pricing and marketing decisions and to monitor expenses. Variable costs may range from \$12 per room night for a budget property to more than \$75 per room night for a world-class hotel. Here are six variable costs to consider:

### **1**Labor.

To most accurately calculate average labor expense per occupied guestroom, take the total labor plus benefits expense for a time period and divide it by the number of guestrooms serviced. Keep in mind that you only calculate the housekeeping labor costs for employees involved in servicing a guestroom.

### **2**Cleaning supplies and amenities.

Determine the average cost to replace “consumable” amenity items such as soap, shampoo, conditioner, lotion, toilet paper, tissues, and coffee. For limited-service hotels, amenities may cost less than \$1 per guestroom; for luxury hotels, the amenity replacement costs may total \$20 or more. Don’t forget to calculate the average cost of cleaning supplies and chemicals per room cleaned, including disinfectant, glass cleaner, toilet cleaner, and furniture polish.

### **3**Laundry expense.

If a guestroom is occupied, the bed and bath linens will need to be laundered after the guest checks out or after a specified number of days occupancy. Calculate the average laundry costs per occupied guestroom by adding up the labor, laundry chemical, and utility costs incurred and dividing by the number of guestrooms occupied for that period.

### **4**Utilities.

When guests occupy a room, they turn on the lights, watch TV, take hot showers, run the heat or air conditioning, recharge electronics, and more. Similarly, the room attendant uses electricity and water when cleaning the guestroom. Because energy consumption in guestrooms is not individually metered in the United States, the utility expense per occupied room will need to be estimated.

### **5**Allocation toward refurbishment.

Based on occupancy levels, type of hotel, guest segmentation, geographic location, and brand requirements, most hotels plan to refurbish their guestrooms every four to seven years. Allocate an average of 3 percent of the room rate generated toward a capital expenditure budget for room renovations. Therefore, a \$100 guestroom will cost the hotel \$3 in capital expenses per night that it is occupied.

### **6**Reservation fees, marketing royalties, and commissions.

While these are technically not housekeeping-related expenses, they are variable expenses that a hotel will incur associated with each sold guestroom and must be remitted to the hotel’s franchisor, distribution channels, and booking partners.