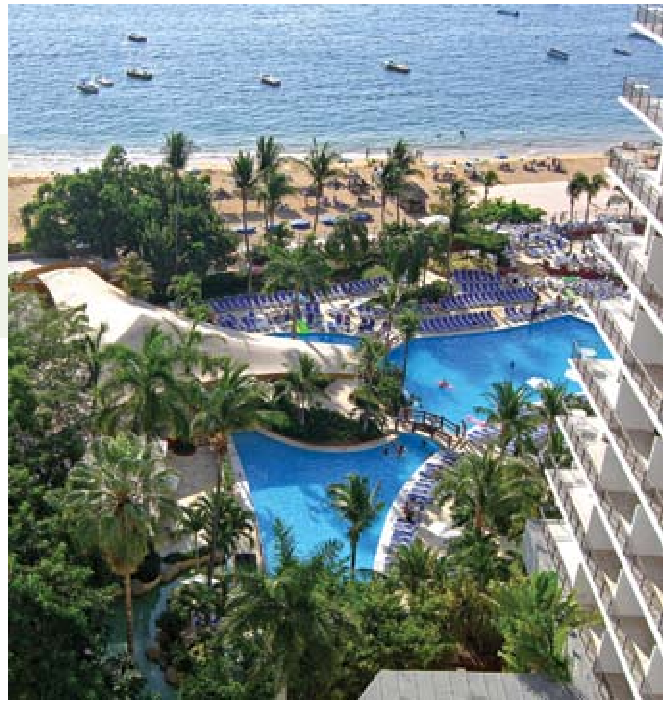
# RESORT FEES

## A review of this standard guest charge and what various resorts include under this umbrella



**Question:** *Can you provide info on resort fees? Specifically, I am looking for the percentage of hotels which charge a resort fee and what is exactly included in these fees.*

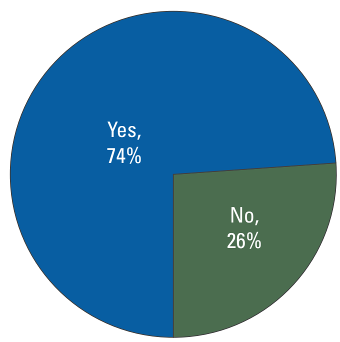
**Answer:** The following is the definition of a resort fee or surcharge set forth by the most recent version of the *Uniform System of Accounts for the Lodging Industry*:

> *Resort fees or surcharges are mandatory fees charged at either a flat amount or a percentage of the room rate. They are charged per room night rather than per person and allow the guest to use services such as fitness facilities, spa, pool, local phone calls, Internet access, airport transportation, golf driving range and other recreational facilities. These fees may also include gratuities. Resort fees and mandatory surcharges include any charges to offset expenses, such as an energy surcharge.*
>
> *Resort fees and surcharges are recorded as revenue. Resort fees are allocated to other departments based on the relative value of the components normally supplied by those departments. If the surcharge cannot be allocated to a revenue-producing department, it is included in Other Rooms Revenue. If the surcharge to be allocated is related to an item normally recorded as revenue by the Rooms department, for example, a rollaway, the amount is recorded as Other Rooms Revenue (*USALI 10th ed, pg 42*).*

Basically, a resort fee is a mandatory fee charged per room night to allow guests to use services at a lodging facility.

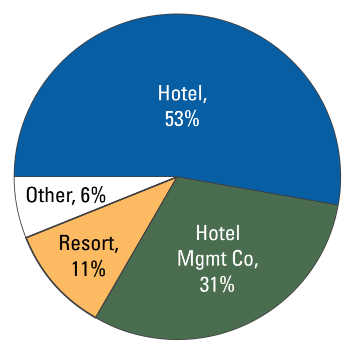
One of the primary questions pertaining to resort fees is what exactly can be realistically included in a resort fee. For instance, it is understandable that the use of a pool or spa could be included in a resort fee, but should a property include items such as newspaper and in-room coffee? Ac-

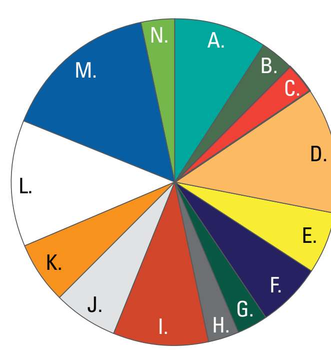
**SURVEY: How Are Resort Fees Allocated?**




Do you charge a resort fee?

Type of organization?




What is included in the resort fee?

**KEY:** A. Bottled Water, 27%
B. Children's Activities, 9% C. Coffee, 9%
D. Fitness Center/Health Club, 36%
E. Housekeeping/Turndown Service, 18%
F. Internet Access, 18% G. Lessons (golf, ski, etc.), 9%; H. Local Calls, 9%
I. Local Transportation, 27%;
J. Newspaper, 18% K. Parking, 18%
L. Pool, 36% M. Resort Activities, 45%
N. Spa, 9%

cording to the *USALI* definition, a resort fee can include any charges to offset expenses. Therefore, a property does incur an expense to provide newspaper and in-room coffee, so they can use the resort fee to cover this expense. Many properties that charge a resort fee will make accounting allocations to cover these types of expenses, but will not necessarily market to the guests that the resort fee is utilized to provide a newspaper or in-room coffee.

For example, one HFTP member indicated that their property charges a $14.95 resort fee which includes wireless Internet access, local phone calls, pool usage and two bottles of water. This operator felt that the pool was a basic business requirement without a definitive value/price and would not make any allocations to the pool; therefore, the entire $14.95 charge would be divided amongst wireless Internet access, local phone calls and bottled water.

## Resort Fee Survey

In a recent survey distributed by the HFTP Research Institute, 74 percent of respondents indicated that they charge a resort fee at their property. Respondents worked for various types of properties including hotels (45 respondents, 53 percent), hotel management companies (26 respondents, 31 percent), resorts (9 respondents, 11 percent) and other types of properties (5 respondents, 6 percent). Respondents who indicated that they worked at other types of properties included accounting and finance managers from club properties with a lodging component (3 respondents), a chain of independent hotels (1 respondent) and a CPA (1 respondent).

If the respondents charged a resort fee at their property they were also asked to provide the amount of the resort fee. Of the 15 properties who provided resort fee amounts, 8 indicated that their property charged a resort fee under $20 per day ($12, 1 respondent, $14, 1 respondent, $15, 3 respondents, $16, 1 respondent, and $20, 1 respondent). Four individuals indicated that their property charged amounts well above $20, ranging from $75 (2 respondents) up to $225. Several properties also indicated that they charged resort fees as percentages ranging from 2 percent up to 15 percent.

One final question was asked of respondents to explain what exactly they included in their resort fees. In total, 11 individuals provided detailed information on what is included in resort fees at their properties. Nearly half of the respondents (45 percent) indicated that all resort activities are covered in the resort fee. Some of the activities listed included water sports, volleyball, use of ski resort and mini golf. Many properties also indicated that bottled water (27 percent), fitness center/health club use (36 percent), local transportation (27 percent) and pool access (36 percent) were included in the resort fee. Full details can be seen in the accompanying chart on page 6. It is interesting to note that one property indicated that the sole purpose of their resort fee was to pay an association that runs the programs and marketing at their property.

## FINANCIAL STATEMENT PRESENTATION


There are three primary similarities between U.S. GAAP and IFRS pertaining to financial statement presentation. First of all, both frameworks consist of the same components which include a balance sheet, income statement, other comprehensive income (U.S. GAAP) or statement of recognized income and expense (SORIE under IFRS), statement of cash flows and accompanying notes to financial statements. With the exception of the cash flow statement, both systems require financial statements to be prepared on the accrual basis of accounting. The third item in common is that both frameworks have similar requirements when it comes to materiality and consistency concepts. In addition, the FASB and IASB continue to work on projects to bring the two systems closer together.

### U.S. GAAP

Under U.S. GAAP, comparative financial statements are typically presented, but under certain circumstances a single year may be presented. Public companies are bound by SEC requirements which include balance sheets for the two most recent years and other statements must cover a three-year period ending on the balance sheet date.

### International Financial Reporting Standards (IFRS)

IFRS require businesses to present comparative information for a previous period for all amounts reported in the financial statements.

### Source

Ernst & Young. (2009, January). *US GAAP vs. IFRS: The Basics.* Retrieved March 18, 2009 from http://www.ey.com/Global/assets.nsf/International/IFRS_v_GAAP_basics_Jan09/$file/IFRS_v_GAAP_basics_Jan09.pdf.

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