


## THE ESSENTIALS OF FINANCIAL RECORD KEEPING FOR BED & BREAKFASTS...

...OR WHY SHOEBOXES ARE FOR SHOES AND NOT FINANCIAL RECORDS!




THE INNKEEPING SHOW – CHARLESTON 2014  
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## YOU THINK I'M KIDDING?

- ▶ Nope...When I once was asked to review financials for a property a client was inquiring about, here is the reply:
- ▶ "Rick, it will be a while on those. They do not use quickbooks and just take the old shoe box to their accountant each year for taxes."



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## HERE IS THE SHOE BOX...IRS SCHEDULE C



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## WHAT DO YOU THINK ABOUT THIS?

- ▶ The innkeepers don't care?
- ▶ Do they seem as if they know what their revenues and expenses really are?




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## 3 QUESTIONS

- ▶ Wouldn't an informed buyer want to know more about the inn's financials and results from a P&L statement?
- ▶ Wouldn't a lender require more detailed financials (P&L)?
- ▶ Wouldn't you as the owner want to know where your dollars are coming from and going to?

▶ Yes and Yes and Yes !



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## 4 REASONS WHY (GOOD) RECORD KEEPING IS IMPORTANT!

- ▶ You will know where you are:  
-You can't control what you don't know.
- ▶ Accurate financials are a necessity for lenders.
- ▶ Accurate and timely for tax reporting.
- ▶ When it is your time to move on...your books and you will be ready.

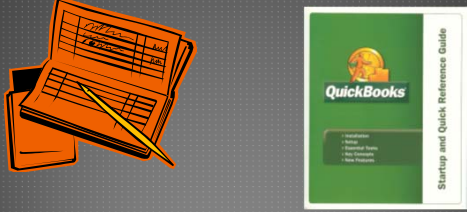
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## IT IS YOUR MONEY! STEP 1

- ▶ Start with the basics and use a known software program...and be sure you enter the purchase cost as it is a business expense!
- ▶ QuickBooks Pro, and others...
- ▶ Get a copy of IRS Publication 583 / "Starting a Business and Keeping Records".

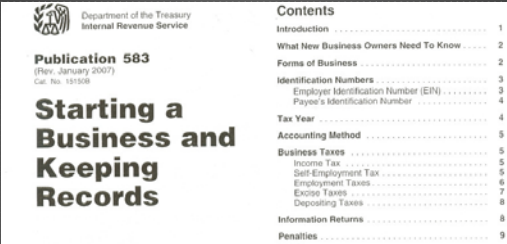
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## THE "GOOD BOOKS"



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## ANOTHER "GOOD BOOK"



Contents	
Introduction .....	1
What New Business Owners Need To Know .....	2
Forms of Business .....	2
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Employer Identification Number (EIN) .....	3
Payee's Identification Number .....	4
Tax Year .....	4
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Information Returns .....	8
Penalties .....	9

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## ...STEP 2...

- ▶ Start with a good Chart of Accounts (C of A):
- ▶ Ask us !
- ▶ Work with your Accountant to flesh out into greater detail...and appropriateness...more later.

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## CHART OF ACCOUNTS MAJOR REVENUE CATEGORIES

- ▶ Revenues:
  - +Rooms
  - +Gift shop
  - +F&B
  - +Wedding/Meetings
  - +Spa Services
  - +Other Income
  - =Total Gross Revenues

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## MAJOR OPERATING EXPENSE CATEGORIES

- ▶ Expenses:
  - +Auto
  - +CC Discounts
  - +COGS
  - +Dues & Subs
  - +Education
  - +Insurance
  - +Labor
  - +Legal & Accounting
  - +Marketing
  - +Office Supplies

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### ... MORE OPERATING EXPENSES...

- ▶ More Expenses:
  - +Outside services
  - +Repairs & Maintenance (R&M)
  - +Restaurant Expenses (Full Service only)
  - +Supplies
  - +Telephone
  - +Travel & Entertainment / Education
  - +Taxes
  - +Utilities
  - +Misc.
  - =Total Expenses

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### SIMPLE MATH

Total Gross Revenues

Less Total Operating Expenses

= Net Operating Income (EBITDA)

hint: let your CPA take care of depreciation, etc.



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### ...STEP 3...

- ▶ Engage a CPA who understands the Hospitality Industry / B&B's / Country Inns.
- ▶ Expand your C of A to reflect **your** business
- ▶ They can be enormously helpful in customizing the C of A to your specific business needs:
  - S Corp, LLC, Owner's Draws, Depreciation, Retained Earnings...and as importantly... creating separate accounts for business expenses vs. personal expenses.

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### SPEAKING OF BUSINESS VS. PERSONAL

- ▶ Business Expenses:
  - ▶ To be deductible, must be ordinary and necessary
  - ▶ From accounting to advertising to dues & subs to educational expenses (today) to legal to R&M to...
- ▶ Personal Expenses are neither:
  - ▶ May be run through the business but are not necessarily tax deductible
  - ▶ From the Mercedes (not your SUV) to your health insurance, personal wine collection to that cruise to the Bahamas...

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### ...AND...

- ▶ Good financial record keeping and a good PMS system will allow you to track the Key Metrics for your B&B / Inn:
  - ▶ ADR
  - ▶ RevPAR
  - ▶ Occupancy
  - ▶ Cash Flow
  - ▶ NOI



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### OK...BUT...

- ▶ Tracking your biz allows you to develop tactical and strategic plans for:
  - ▶ Financial planning
  - ▶ Marketing
  - ▶ Expense vs. results analysis
  - ▶ Rates and seasons
  - ▶ Budgets for all types of expenses

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### WE KNOW...YOU DON'T HAVE THE TIME...

- ▶ We've got you into Social Media and more...
- ▶ We've got you using Google Alerts...Google Analytics...
- ▶ We've got you Mastering Online Reviews...
- ▶ We've got you Managing your Inn's Reputation...
- ▶ We've got you regularly updating your website...



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### ...BUT...

- ▶ You do not **not** have the time
- ▶ It only takes a few hours to get started
- ▶ You add accounts and/or sub-accounts as necessary...in minutes
- ▶ At tax time, you will save HOURS...every year
- ▶ At tax filing time, you may save \$\$\$
- ▶ Your CPA will love you!

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### ...BUT MOST IMPORTANT OF ALL...

- ▶ You will know how much money you made
- ▶ You will know where your money came from
- ▶ You will know where your money went
- ▶ You'll know much more about your business



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### OK...NOW WHAT?

- ▶ You now have the tools to track your income and expenses
- ▶ ...and to analyze the dollar return of those expenses, for example:
  - ▶ Marketing expenditures
  - ▶ Guest packages
  - ▶ Amenity upgrades vs. ADR
  - ▶ Rates vs. occupancy



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### OTHER TRICKS OF THE TRADE

- ▶ Your PMS data will export or be exportable to your financial software
- ▶ If you have staff, *consider* adding a payroll module and save even more of your money for very little additional time invested
- ▶ Use an external HD or a cloud backup service to be safe and secure
  - ▶ Carbonite

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### THE BOTTOM LINE

- ▶ Good Books will make your life easier
- ▶ Good Books tell you in black and white how you're doing
- ▶ Good Books give you information and become a useful business tool
- ▶ Good Books help prepare you for tomorrow
- ▶ Good Books add value to your inn
- ▶ Bad Books negate value from your inn


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**THIS IS ALL ABOUT YOU AND YOUR MONEY!**

- ▶ The tools are available
- ▶ They are affordable
- ▶ They are easy to use
- ▶ They will allow you to better manage your money and make better decisions
- ▶ If managed properly they will help you make money while you own the inn
- ▶ Finally, they will help you realize the true value of your inn when it is time to move on

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**THANK YOU!**



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