

# THE NEWLY EXPANDED USFRC

The soon-to-be released guide includes statements for CIRAs, schedule changes, and new and updated appendices

By Ray Schmidgall, Ph.D., CPA, CHAE

The 7th edition of the *Uniform System of Financial Reporting for Clubs (USFRC)* will soon be released by the Club Managers Association of America (CMAA) and HFTP. This new edition results from a revision process involving nearly 30 club industry professionals and over 18 months of hard work. It provides guidance for additional types of clubs than in the past and greater guidance than prior additions. The 7th edition is over 70 pages longer than the prior edition.

This new edition includes sections covering basic financial statements for both country and city clubs as in the past, and for the first time statements for Common Interest Realty Associations (CIRA) clubs. The basic financial statements include the Statement of Financial Position, Statement of Activities and the Statement of Cash Flows. The Statement of Activities for internal

use also includes 26 departmental schedules. Nine of these schedules are new or have major changes. Updated and new appendices are included. The new appendices cover common interest realty associations and accounting best practices.

Members of the revision committee included representatives from both CMAA and HFTP. Ian D. N. Fetigan, CCM, CAM chaired the club managers subcommittee, Wendy Zurstadt, CPA, CHAE, CAM chaired the controllers subcommittee, while Leonard Bartello, CPA, CHAE, CHTP, CAM chaired the consultants subcommittee. These three professionals served as chairs of the same subcommittees during the prior revision. Twenty-three additional professionals served as members of these three subcommittees. All these club industry professionals are to be commended for their labor of love in producing the 7<sup>th</sup> edition.

## Basic Financial Statements

The basic financial statements have been modified to reflect both the changing nature of the club industry and technological advances. In the Statement of Activities for Country Clubs (external), the changes under the **Revenue** caption on this exhibit from the prior edition include:

- Social events replaces entertainment
- Racquet shop has been added
- Marina has been added
- Fitness/spa has been added
- Telecommunications has been deleted
- Special purpose funds has been added
- Investment income has been added

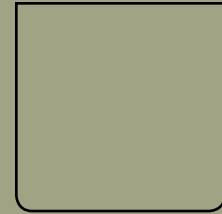
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7th Edition Available December 2012

The new edition will be available for purchase on CMAA's marketplace site at [www.cmaa.org/marketplace](http://www.cmaa.org/marketplace).

HFTP members are eligible for a discount on their purchase.



The changes under **Operating Expenses** include:

- Social events replaces entertainment
- Racquet shop has been added
- Marina has been added
- Fitness/spa has been added
- Telecommunications has been deleted
- Special purpose funds has been added
- Marketing and membership has been added
- Information technology has been added

A few expenses and other items near the bottom of the Statement of Activities have been modified as well. The balance of special purpose funds at the end of the year were shown on the Statement of Financial Position in the 6th revised edition. A new schedule is provided for these activities and they are reported on the Statement of Activities according to the 7th edition.

**CIRA Clubs**

Many more CIRA clubs have been established since the 6th revised edition. Therefore, the 7th edition includes the Balance Sheet, the Statement of Revenues and Expenses, the Statement of Cash Flows and the departmental form of the Statement of Revenues and Expense for CIRA clubs. An appendix devoted to explaining the types of clubs provides understanding of different types of clubs. A schedule for reporting Common Area Maintenance unique to CIRA clubs is also included.

**Departmental Schedules**

Several department schedules have been added while titles of some have been revised to reflect current usage. A total of 26 schedules are included in this new publication and the line items of each schedule are clearly defined.

New schedules include marina, special purpose funds, information technology, marketing and membership, security, and common area maintenance. Departmental schedule titles that have been changed to reflect more current usage include social events

replacing entertainment, fitness/spa replacing health and fitness, and house-keeping replacing house laundry. All schedules include additional line items that clubs will find useful for reporting their operating results. As in the past, no club should blindly follow the prescribed schedules but modify them to meet their informational needs.

**Appendices**

The appendices to the uniform system provide additional information and guidance to club executives. The fifth edition of the *USFRC* had five appendices covering 43 pages. The expense dictionary and Illustrated Statements and Schedules with Working Trial Balance was added to the sixth edition and other appendices were expanded so that 100 pages were devoted to appendices. The expansion continues with the 7th edition of the *USFRC* as two additional appendices have been included. An appendix explaining CIRAs is new to this edition as well as Accounting Best Practices. Other appendices have been updated. The sample chart of accounts uses a four digit numbering system. Additional ratios are provided in the ratio analysis and statistics appendix. The club taxation appendix has been updated by the foremost club industry tax experts. The expense dictionary includes many additional terms. The revised reporting system is extensively illustrated providing users with greater guidance.

**Accounting Best Practices**

A dozen major topics are covered in this appendix to the 7th edition. The best practices range from safeguarding cash to labor considerations. Sixteen

suggestions are provided for the food and beverage department, purchasing and receiving, and mitigating fraud.

Three suggestions provided under the food and beverage department category follows:

1. Menu abstracts are a listing of all items sold on a menu and include the number of items sold during a specific period of time. This tool is used to determine the popularity of an item and whether specific items should remain on revised menus or eliminated.
2. Recipe cards are an important tool in identifying proper ingredients and amounts for each menu/bar item, the cost of each item and the preparation instructions. A copy of all recipe cards should be maintained in the accounting office while the originals are kept in the chef's and bar manager's office.
3. Rebate programs are typically available to the food and beverage industry and should be sought out to save the hundreds of dollars a month available. These should be watched closely to ensure the rebate is issued to the club and not the purchaser.

**Expanded in Scope**

The 7th edition of the *USFRC* is expanded in its scope by providing recommended statements for CIRA clubs and more departmental schedules for all clubs. New Appendices have been added covering a discussion on types of clubs and on accounting best practices. The chart of accounts, illustrated statements and the expense dictionary have been expanded. Clearly the new edition provides financial statements that enable clubs to provide more detailed financial information to all users. ■



## BEHIND THE REVISION

*HFTP past presidents Leonard Bartello and Wendy Zurstadt, serving as chairs on the revision committee, talk about the process, and debates, that brought the USFRC 7th Edition*

In existence for 80 years, one might think there isn't much more to add to the *Uniform System of Financial Reporting for Clubs (USFRC)*. But, as the industry changes so do financial reporting models. The last edition was released in 2003, and the revision committee found that there was a lot to change for this new version, including making it more inclusive of different club types.

A committee of close to 30 club professionals from CMAA and HFTP worked on the update. Leading the charge were Wendy Zurstadt, CPA, CHAE, CAM, representing club controllers; Leonard Bartello, CHAE, CHTP, CPA, CAM, representing club consultants; and Ian Fetigan, CCM, CAM, representing club managers. In addition Ray Schmidgall, Ph.D., CPA, CHAE, was the general editor.

We asked the two HFTP past presidents, Bartello (LB) and Zurstadt (WZ) for some insight on the revision process.

### Why would someone want the revised version?

**LB:** The "P" in HFTP stands for professional. Being professional implies commitment to maintenance of expert and specialized knowledge in hospitality finance and technology. Since 1932, the uniform system has been the single most important tool for club accounting managers. That is to say, the results of 80 years of evolution can be found in one single published source. The 7th Revised Edition makes all others obsolete (albeit collectors items).

**WZ:** The revised version includes residential club communities. The prior editions were targeted for the 501C7 type club, or the traditional non-residential clubs. We added schedules to encompass many different types of clubs.

### What were the primary goals for the committee when it started on the revision?

**LB:** Our goals were to correct errors that were undetected when the Sixth Edition was released (an issue that we might not face with the 7th edition if an electronic version is released, allowing for real time corrections). In addition we made changes in line with new accounting pronouncements and modern trends and terminology. Also we wanted to enhance the book's usefulness with additional topics.

**WZ:** The 6th edition was focused on being more relevant and user friendly. It was written to help the professional staff of a club, as well as those governing the club. This edition brings to light the many different types of clubs, yet

still provide a uniform or standardized basis for financial reporting. We wanted to make it as all-encompassing as possible while still maintaining the ease of use.

### What were some things that came up as the process was coming along?

**LB:** Accounting truly is an art with much room for individual interpretation. Some items addressed took on a life of their own while stimulating healthy debate. In the end, most were resolved unanimously while a few ended in respectful disagreement.

**WZ:** During the process we often had the "oh my gosh" moments; as well as "how did we miss that in the last edition" and "how do we make this better." A lot has changed in 10 years, when we worked on the last edition, and we marveled how these changes affected this edition.

### What are some items in this version that users should be aware of?

**LB:** Two significant hot topics are:

A change in accounting for special purpose funds was missed in the 5th and 6th editions. Some history: back in 1993 the Financial Accounting Standards Board [FASB] issued statement 117 [FAS 117] on Financial Statements of



The results of hard work (L to R): Leonard Bartello, Ray Schmidgall, Wendy Zurstadt and Ian Fetigan display a copy of the USFRC, 6th Edition.

Not-For-Profit Organizations. It made numerous revolutionary changes to the way most private clubs report financial information. A basic requirement of FAS 117 is that all changes in an organization's net assets must be reported in the statement of activities.

Flying under the radar of most club accountants, special purpose funds that account for activities such as: donations to the staff holiday fund and related expense, dues for various clubs within a club like the men's and women's 18 and 9 hole clubs and related expenses, and the popular hole in one fund have been washed through a liability account in the statement of financial position. This practice violates FAS 117. The 7th edition illustrates a new department for special purpose funds. Users of the club financial statements will be able to track the revenue and expenses of each fund and will have a more enhanced view of accountability and comparability.

Also, inspired by the great recession of 2007, membership drive incentives have taken on a life of their own. Clubs have found endless ways to entice membership retention and replenishment. We find these incentives often come with long lasting and significant financial impact. They

seem to be implemented with little or no involvement with accounting professionals. This edition includes both short and long term liabilities for these incentive programs which emphasizes the need to account for the added expense they create.

**WZ:** Also, there will be some “unfamiliar” schedules, i.e. Common Area Maintenance & Security that may only pertain to bundled/residential communities. The users need to understand that this reference book is a recommended guideline for a variety of clubs and they need to identify which reports fit their club. And most importantly, what reports they could be using that will enhance their existing financial statements.

**What are the benefits to being part of a committee such as this one?**

**LB:** My entire 30 plus year career in hospitality accounting has thrived with voluntary involvement within HFTP, its functions and committees. HFTP provides the pot and ingredients to make the soup that nourishes the growing hospitality professional. It provides a network of great friends and colleagues that does not exist anywhere else. To sum up, I gained much more from my involvement on

this committee of 12 than I contributed as an individual.

**WZ:** I agree with Len on this. While I know the countless hours he contributed, it never fails to amaze me how we walk away, as chairs, feeling like we learned more in the process. The interaction, the sharing of knowledge, the pro and con debates! It is so educational, informative and balances the workload really well.

**Any last comments?**

**LB:** I am honored to be part of the group of professionals entrusted with updating the *USFRC 7th Revised Edition*. To experience how fierce competitors in business can put aside individual gain and spend many valuable personal hours to research, discuss, debate and concur was amazing. These individuals are to be commended for their superior dedication to the hospitality club industry and the art of accounting.

**WZ:** The fact that CMAA and HFTP gave Len, Ian and me the opportunity to come back as chairs for this revision, really touched me. We worked so well 10 years ago and it is still the same labor of love today that it was then. Ray Schmidgall kept us organized, on task and on target. I think the picture shown here says it all! ■

**THANK YOU! HFTP Members on the Revision Committee**

**Frank Agnello, Jr., CMA, CHAE**

Director of Finance  
The Wyndgate Country Club

**Gavin Arsenault, CCM**

General Manager  
Rock Barn Golf & Spa

**Leonard Bartello, CHAE, CHTP, CPA, LCAM**

Owner  
Forty Years Consulting

**Jay DiPietro, CMA, CCM**

President/General Manager  
Boca West Country Club

**James Hankowski, CPA**

Partner  
Condon O’Meara McGinty & Donnelly, LLP

**Paul Koojoolian, CCM, CHAE**

Controller  
St. Francis Yacht Club

**David Manglos, CPA, CHAE**

Chief Financial Officer  
Austin Country Club

**Philip Newman, CPA**

Partner  
McGladrey, LLP

**Mick Nissen, CHAE, CHTP**

Controller  
Sharon Heights Golf and Country Club

**Benjamin Peck, CCM, CHAE**

Chief Financial Officer  
Sawgrass Country Club

**Kevin Reilly, JD, CPA**

Partner  
Witt Mares, PLC

**Raymond Schmidgall, Ph.D., CPA, CHAE**

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**Jerilyn Schnitzel, CHAE, CHTP, CAM**

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Schnitzel Hospitality Consulting

**Thomas Smith, CHAE**

Chief Financial Officer  
Westmoor Country Club

**Mitchell Stump, CPA**

President and Owner  
Club Tax Network, Inc.

**Tammy Tassitano, CPA**

Partner  
McGladrey, LLP

**Wendy Zurstadt, CPA, CHAE, CAM**

Chief Financial Officer  
Polo Club of Boca Raton

Note: This list includes HFTP participants only, and is not the full committee.