



Dealing With Dollars

Please be respectful of your colleagues by silencing your phone. If you need to answer a call, please go to the hallway.



Shoeboxes are
for Shoes!

Once when we asked a broker for a seller's P&L, we were told, "It may take a while. They don't use Quickbooks. They just take the old shoebox to the accountant at tax time."

SCHEDULE C (Form 1040)		Profit or Loss From Business (Sole Proprietorship)		OMB No. 1545-0048 2015-18 Attachment Schedule C (Form 1040)
Department of the Treasury Internal Revenue Service (IRS)		Do not write on this page. ▶ Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.		SSAN 1041-018 2015-18 Attachment Schedule C (Form 1040)
Name of proprietor _____		Principal business or profession _____		Social security number (SSN) _____
A Principal business or profession, including product or service (see instructions)		B Enter code from instructions ▶ _____		
C Business name, if no separate business name, leave blank.		D Owner's SSAN (Form 1041 only) _____		
E Business address (including suite or room no.) ▶ City, street or post office, state, and ZIP code: _____				
F Accounting method. (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) _____				
G Did you "materially participate" in the operation of this business during 2018? If "no," see instructions for loss on losses. <input type="checkbox"/> Yes <input type="checkbox"/> No				
H If you started or acquired the business during 2018, check here: <input type="checkbox"/> Yes <input type="checkbox"/> No				
I Yes, did you pay any payments in 2018 that would require you to file Form(s) 1099? (see instructions) <input type="checkbox"/> Yes <input type="checkbox"/> No				
J Yes, did you or will you file Form 999? <input type="checkbox"/> Yes <input type="checkbox"/> No				
Part I Income				
1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employer" box on that form was checked. <input type="checkbox"/> 1				
2 Returns and allowances <input type="checkbox"/> 2				
3 Subtract line 2 from line 1 <input type="checkbox"/> 3				
4 Cost of goods sold from line 42 <input type="checkbox"/> 4				
5 Gross profit. Subtract line 4 from line 3 <input type="checkbox"/> 5				
6 Other income, including interest and dividend or full tax credit or refund (see instructions) <input type="checkbox"/> 6				
7 Gross income. Add lines 5 and 6 <input type="checkbox"/> 7				
Part II Expenses. Enter expenses for business use of your home only on line 30.				
8 Advertising <input type="checkbox"/> 8				
9 Car and truck expenses (see instructions) <input type="checkbox"/> 9				
10 Commissions and fees <input type="checkbox"/> 10				
11 Contract labor (see instructions). Option: _____ <input type="checkbox"/> 11				
12 Depreciation and section 179 expense deduction (not included in Part III) (see instructions) <input type="checkbox"/> 12				
13 Employee benefits (see instructions) <input type="checkbox"/> 13				
14 Employee benefit programs (other than on line 13) <input type="checkbox"/> 14				
15 Insurance (other than health) <input type="checkbox"/> 15				
16 Interest (see instructions) <input type="checkbox"/> 16				
a Mortgage (add to line 16) <input type="checkbox"/> 16a				
b Other <input type="checkbox"/> 16b				
17 Legal and professional services <input type="checkbox"/> 17				
18 Total expenses before business use of home. Add lines 8 through 17 <input type="checkbox"/> 18				
19 Tentative profit or loss. Subtract line 18 from line 7 <input type="checkbox"/> 19				
20 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 (attach the simplified method (see instructions)). <input type="checkbox"/> 20				
Simplified method filers only: enter the total square footage of (a) your home: <input type="checkbox"/> 20a				
and (b) the part of your home used for business: <input type="checkbox"/> 20b Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30. <input type="checkbox"/> 30				
21 Net profit or (loss). Subtract line 30 from line 19: <input type="checkbox"/> 21				
• If a profit, enter on line Schedule 1 (Form 1040), line 12 or Form 1040NR, line 13; and on Schedule SE, line 2. If you checked the box on line 1, (see instructions). Estimate and attach on line 30, line 21. <input type="checkbox"/> 21				
• If a loss, <u>must</u> go to line 32. <input type="checkbox"/> 32				
32 If you have a loss, check the box that describes your investment in this activity (see instructions). <input type="checkbox"/> 32a				
• If you checked line 32a, enter the loss on both Schedule 1 (Form 1040), line 12 or Form 1040NR, line 13, and on Schedule SE, line 2. If you checked the box on line 1, see instructions. Estimate and attach on line 30, line 32a. <input type="checkbox"/> 32a				
• If you checked line 32b, you may not deduct the loss. Your loss may be limited. <input type="checkbox"/> 32b				
For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11334P Schedule C (Form 1040) 2018				

Schedule C (Form 1041) 2018

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Part III Cost of Goods Sold (see instructions)

33	Method(s) used to value closing inventory: <input type="checkbox"/> a Cost <input type="checkbox"/> b Lower of cost or market <input type="checkbox"/> c Other (attach explanation)		
34	Was there any change in determining quantities, costs, or valuations between opening and closing inventory?		
	If "Yes," attach explanation	<input type="checkbox"/> Yes <input type="checkbox"/> No	
35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35	
36	Purchases less cost of items withdrawn for personal use	36	
37	Cost of labor. Do not include any amounts paid to yourself	37	
38	Materials and supplies	38	
39	Other costs	39	
40	Add lines 35 through 39	40	
41	Inventory at end of year	41	
42	Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on line 4.	42	

Part IV Information on Your Vehicle. Complete this part only if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43	When did you place your vehicle in service for business purposes? (month, day, year)	► / /	
44	Of the total number of miles you drove your vehicle during 2018, enter the number of miles you used your vehicle for:		
a	Business	b Commuting (see instructions)	c Other
45	Was your vehicle available for personal use during off-duty hours?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
46	Do you (or your spouse) have another vehicle available for personal use?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
47a	Do you have evidence to support your deduction?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
b	If "Yes," is the evidence written?	<input type="checkbox"/> Yes <input type="checkbox"/> No	

Part V Other Expenses. List below business expenses not included on lines 8–26 or line 30.

48	Total other expenses. Enter here and on line 27a	48	
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What do you think about this?

The Innkeepers don't care?



Do they seem to know what their revenue and expenses are?



Four reasons why good record keeping is important!

- 1. You will know where you are (you can't control what you don't know)
- 2. Accurate financials are a necessity for lenders
- 3. Accurate and timely for tax reporting
- 4. When it's time to move on, your books will be in order!

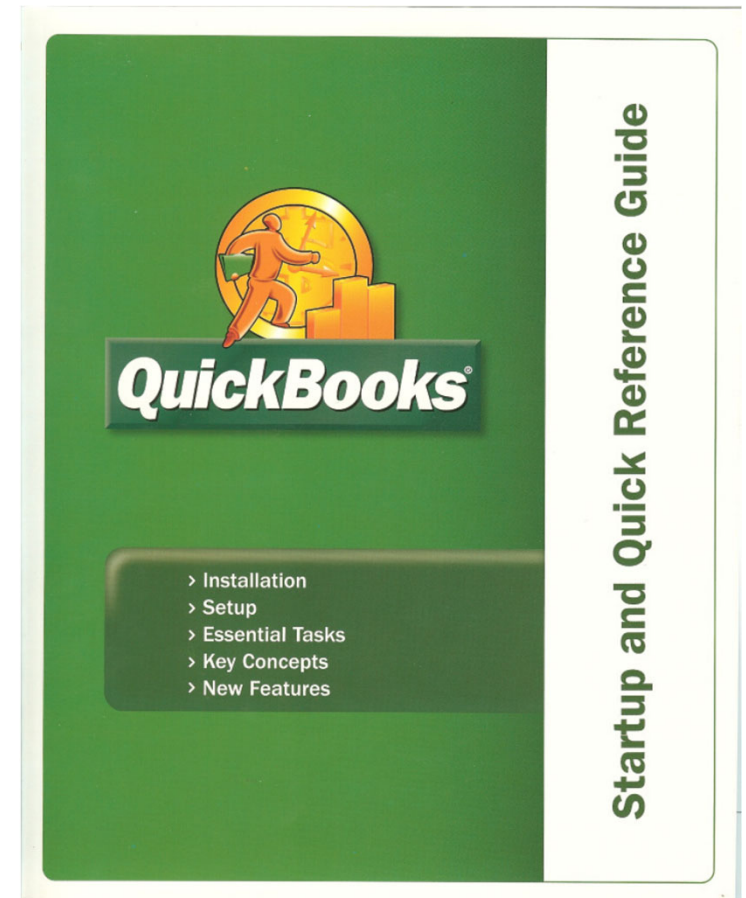
It's your
money!
STEP 1

Use a known financial
software program

Quickbooks Pro is the
gold standard (not
Quicken)

Get a copy of IRS
Publication 583,
“Starting a Business
and Keeping Records”

The “Good Books”



Another “Good Book”



Department of the Treasury
Internal Revenue Service

Publication 583

(Rev. January 2015)

Cat. No. 15150B

Starting a Business and Keeping Records

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It's your
money!
STEP 2

Start with a good
Chart of Accounts
(CoA)

Work with your
accountant to flesh
out the details

Major Revenue Categories

INCOME	
BED AND BREAKFAST	0
F&B OTHER	0
PACKAGES	0
EVENTS	0
GIFTS AND PRODUCTS	0
SERVICES	0
OTHER	0
<u>TOTAL SALES</u>	0

Major Expense Categories: COGS

COST OF GOODS SOLD	
FOOD BED & BREAKFAST	0
F&B OTHER	0
PACKAGES	0
EVENTS	0
GIFTS AND PRODUCTS	0
SERVICES	0
OTHER	0
<u>TOTAL COGS</u>	0

Labor

LABOR	
MISC WAGES	0
HOUSEKEEPING	0
INNKEEPING	0
BREAKFAST	0
OTHER	0
Total Wages	0
CASUAL LABOR	0
RECRUITING / 1099 / UNIFORMS	0
PAYROLL TAXES	0
WORKERS COMP	0
BENEFITS / EMPLOYEE HEALTH	0
PAYROLL SERVICES	0
<u>TOTAL LABOR COST</u>	0

Variable

VARIABLE EXPENSES	
SUPPLIES MISC	0
SUPPLIES HOUSEKEEPING	0
SUPPLIES DECORATIVE	0
SUPPLIES LINENS	0
SUPPLIES KITCHEN	0
OFFICE EXPENSE - POSTAGE	0
CREDIT CARD PROCESSING	0
OTHER BANK FEES	0
LAUNDRY SERVICE	0
OTHER	0
<u>TOTAL VARIABLE COST</u>	0

Controllable

CONTROLLABLE	
Total Marketing	0
ADVERTISING AND PROMOTION	0
INTERNET - WEBSITE	0
INTERNET - DIRECTORIES	0
INTERNET - SEM / PPC	0
ADVERTISING - OTHER / PRINT	0
DUES & SUBS	0
COMMISSIONS / BOOKING FEES	0
Total Repairs & Maintenance	0
REPAIRS AND MAINT	0
GROUNDS	0
BUILDINGS	0
CONTRACT SERVICES	0
EQUIPMENT	0
PROFESSIONAL FEES	0
TRAVEL - M&E	0
EDUCATION - CONFERENCES	0
VEHICLE	0
MISCELLANEOUS	0
TOTAL CONTROLLABLE COST	0

Fixed and Occupancy

FIXED AND OCCUPANCY	
MISC UTILITIES	0
GAS	0
HEATING OIL	0
ELECTRIC	0
WATER/SEWER	0
WASTE REMOVAL	0
TELEPHONE	0
INTERNET	0
CABLE / SATELLITE	0
Total Utilities	0
INSURANCE	0
OTHER	0
TAXES	
PROPERTY TAX	0
OTHER TAX	0
Total Taxes	0
LICENSES	0
<u>TOTAL FIXED COST</u>	<u>0</u>



Simple Math

- Total Revenues
- Minus Total Operating Expenses
- Equals Net Operating Income (NOI)
- (Let your CPA handle depreciation, etc.)



Engage a CPA who
understands the
unique hospitality
industry

Expand your CoA
to reflect YOUR
business

Separate personal
from business
expenses

Speaking of Business vs Personal Expenses...

Business Expenses:

- To be deductible must be ordinary and necessary
- From accounting to advertising to insurance and education (today), and more

Personal Expenses:

- May be run through the business but are not deductible
- From your Mercedes to your wine collection to that trip to Rio...

Don't bury personal expenses!

Your NOI on tax return
(after add backs) is
\$100,000

At 10% cap rate =
\$1,000,000 price

You've "buried" \$20,000
"personal" in expenses

Income tax on \$20,000 =
\$5,000 +/- you "saved"

Add personal back in:

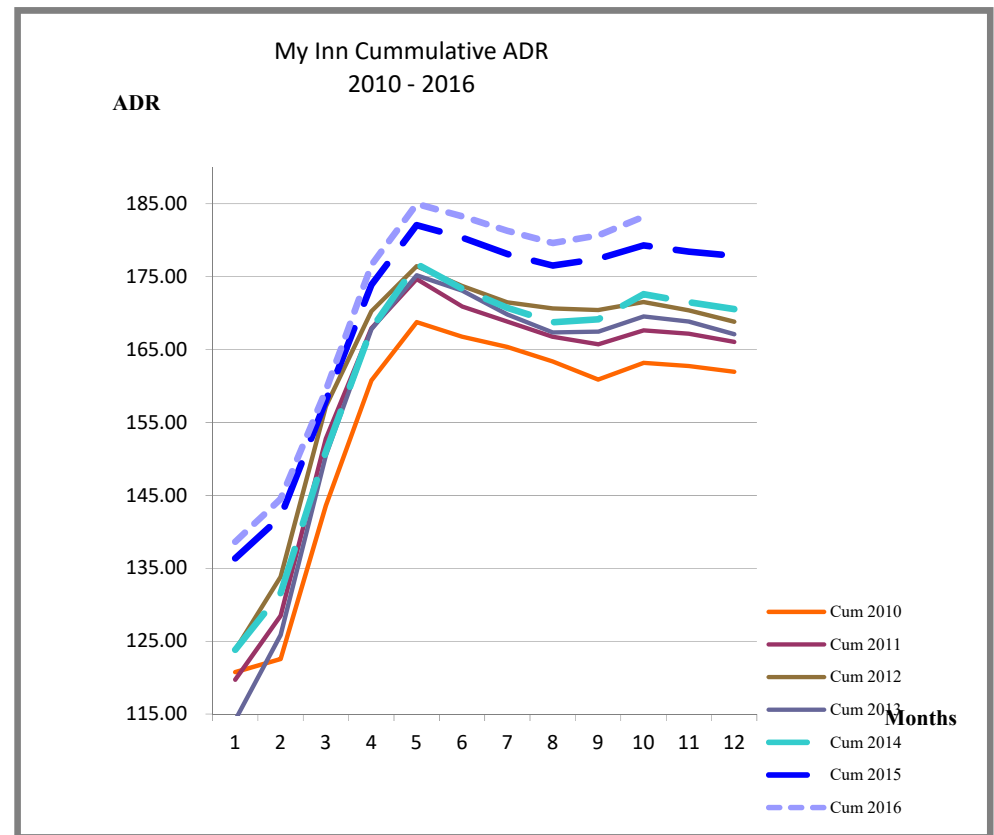
NOI would be \$120,000

At 10% cap rate =
\$1,200,000 price

Which would you prefer?

...and

- Good Financial Record Keeping (Dealing with Dollars!) and a good Property Management System (PMS) will allow you to track your key metrics:
 - ADR
 - RevPAR
 - Occupancy
 - NOI
 - Cash Flow





It's all good.....

- Tracking your business allows you to develop tactical and strategic plans for:
 - Financial Planning
 - Marketing
 - Expense vs Results analysis
 - Rates and seasons
 - Budgets for everything



• You think you don't have the time....

- You're on social media
- You're tracking your Google Alerts and Analytics
- You're mastering online reviews
- You're managing the OTA's
- ...and updating your website

BUT



You do not NOT have the time!



It takes only a few hours to get started



You add sub-accounts in minutes



You'll save HOURS at tax time



You may even save \$'s in taxes



Your CPA will love you!

Most important of all you'll know:

- How much money you made
- Where your money came from
- Where your money went
- A LOT more about your business



Other tricks of the trade



Your PMS data will
export to your financial
software



If you have staff,
consider adding a
payroll module



Use an external drive
or cloud backup to be
safe and secure

Dealing with Dollars the smart way will...

1

Make your life
easier

2

Tell you how
you're doing

3

Prepare you
for tomorrow

4

Add value to
your business



(We love this slide)



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Peter Scherman

Thank you for learning with us! Please complete your evaluation and hand it to the room host before leaving the room!