

IMPROVING PROFITABILITY THROUGH  
BETTER BUSINESS PRACTICES MANAGEMENT



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**IMPROVING PROFITABILITY THROUGH BETTER BUSINESS PRACTICES MANAGEMENT**  
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## INTRODUCTION

Hello, I am Brother Frank Palladini,

A Past Exalted Ruler of Tampa, FL Elks Lodge #708 and a 41 year member of our Great Order,

A Past Vice President and Past District Deputy of the West Central District of Florida,

A Past State President of the Florida State Elks Association,

A Past Member of the Grand Lodge Auditing and Accounting Committee,

An 18 year member of the FSEA State Business Practices Committee, 6 years in a Chairmanship capacity, and now serving as Past State President Advisor to this Committee.

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Let me begin by explaining the REASONS FOR and the PURPOSE OF this Manual and related DVD presentation entitled *"IMPROVING PROFITABILITY THROUGH BETTER BUSINESS PRACTICES MANAGEMENT."*

## **IMPROVING PROFITABILITY THROUGH BETTER BUSINESS PRACTICES MANAGEMENT**

The reasons for this instructional material are that it is generally recognized throughout the country that a large number of our Lodge officers and managers are relatively new members of Elksdom and that many of our longer term members are relatively new to the 'hands on' experience of helping to manage their Lodges.

As a consequence, these dedicated volunteers:

- May have very limited knowledge of the Statutes, rules, regulations, policies and procedures of our Order, the By-Laws of their Lodges and, in general, the relationship of their Lodges to their Districts, State Associations and the Grand Lodge.
- May have limited or no management background experience.
- May have limited or no business operating exposure, especially with our Club food and beverage facilities.
- May have little or no bookkeeping or accounting knowledge, lack understanding of financial reports and related data, and have limited exposure to the Lodges' functions, activities, charitable fund raisers and so forth that feed into the Financial Statements of the Lodges.
- May have little or no experience in supervising paid employees and/or volunteer help, in handling difficult personnel matters or in helping to provide solutions to operating problems that arise both within and outside the Lodges.

In my own personal opinion, these matters represent the second major problem in conducting the business operations of our Lodges nationwide, the first being negative politics that are harmful to our Lodges' operations in general.

Whether you are a new member of Elksdom or a seasoned officer and/or manager, or a long time interested member of your Lodge, the information in this presentation is intended to help you to operate the fraternal and business aspects of your Lodge at an increased level of success.

## PLEASE USE CAUTION BEFORE PROCEEDING WITH THE PRESENTATION

### SOME WORDS OF CAUTION:

1. Because of the length of time involved with this manual and its related DVD, and due to the volume of varied information presented, it is recommended that a minimum of two or three sessions be held. Do not attempt to absorb all of this detail in one sitting.
2. It is suggested the review be done in a group session. At a minimum, participants should include all Lodge officers to include all Trustees, all House Committee and Audit Committee members and anyone else having cash receipt and cash disbursement responsibility, plus your outside accountant and legal counsel, if possible.
3. Throughout this general program, specific illustrations will be given for Florida Lodges inasmuch as I am only familiar with the laws and proceedings within my home state.
4. Because the laws, rules, regulations, policies, procedures, etc. of Florida may or may not apply to your particular state, and if they do, may vary considerably from how things are done in Florida, it is suggested that your outside accountant and/or attorney be present to review this information and to participate in your questions, answers, comments and discussion as you pause after selected segments contained herein. If your state and/or district have Business Practices Committees, it would be advisable to invite them to participate in each session as well.

## IMPROVING PROFITABILITY THROUGH BETTER BUSINESS PRACTICES MANAGEMENT

The purpose of this instructional material is twofold:

1. To provide specific information and instruction on the duties and responsibilities of individual officers and managers that are designed to:
  - Enhance your individual performance through improved leadership, organization, planning and operating controls
  - Promote better internal communication, teamwork, cohesion and management accountability
  - That will assist you in operating the business of your Lodge at an increased level of profitability
2. To provide you with leadership ideas that will help you to:
  - Reduce current costs
  - Avoid unnecessary future costs
  - And to keep you out of trouble with the Grand Lodge and various governmental taxing authorities and regulatory agencies

# MANAGEMENT SEGMENTS NEXT DISCUSSED

## 1. LEADERSHIP

Achieving bottom line profitability with quality management leadership, by example, through teamwork and hard work.

## 2. ORGANIZATION

Establishing a chain of command with lines of communication for delegating duties, responsibility and authority.

## 3. OPERATING CONTROLS (Segment 1)

Maximizing profits through prudent pricing, pouring, portioning and procurement management.

## 4. OPERATING CONTROLS (Segment 2)

Safeguarding Lodge assets against waste, fraud and theft through common sense internal controls, checks and balances.

## 5. PLANNING

Developing short and long term business plans and budgets designed to sustain and ensure the future growth of the Lodge.

## 6. SPECIFIC OFFICER FUNCTIONS

Statutory duties and administrative responsibilities of individual officers as they relate to business operations, the work of fellow officers and managers and internal control matters.

## 7. COST OF SALES DETAIL

Properly computing Cost of Sales and suggested methods for reducing costs and improving operating results.

## 8. MATTERS THAT CAN LEAD TO BIG TROUBLE

- Illegal gambling
- Being open to the public
- Violations of Worker Laws
  - Non-paid member and non-member volunteers
  - Casual laborers
  - Independent contractors
  - Paid employees
- Violations of Tax Laws

Payroll Taxes, State Sales Taxes and other Federal, State, County and local taxes and licenses

## 9. OTHER IMPORTANT MANAGEMENT MATTERS

Other operating, accounting and reporting issues requiring prudent management attention and handling, to include your annual Grand Lodge Financial Report and Federal Tax Return.



TRAVELING THROUGHOUT FLORIDA OVER THE YEARS WITH THE BUSINESS PRACTICES COMMITTEE, I HAVE VISITED LODGES WITH EXCELLENT PHYSICAL FACILITIES. I ALWAYS ASK THE QUESTION: WOULD IT TAKE THIS SIZE OF A FACILITY TO ACCOMMODATE THE NUMBER OF MEMBERS NORMALLY ATTENDING LODGE MEETINGS?

THESE FACILITIES EXIST BECAUSE WE HAVE CLUB FOOD AND BEVERAGE OPERATIONS.

## THE LODGE IS A BUSINESS

- Operating food and beverage facilities and raising monies for our charities is a business.
  - For a business to survive and to grow, it must operate at a profit.
  - For a business to operate at a profit, it must be properly managed.
  - Quality management leadership, in any organization, must start at the top.
  - Exalted Ruler, you are the President of the Lodge, Chief Executive Officer of the Corporation, the Captain of the Ship, the Quarterback of the Team.
- 

## IN ELKDOM, THERE ARE TWO MAJOR OBSTACLES TO RUNNING A SUCCESSFUL BUSINESS THAT REQUIRE PRUDENT MANAGEMENT ACTION AND CONTROL

- Everyone reports directly to the Exalted Ruler.
- We replace the Chief Executive Officer (Exalted Ruler) each year.
  - Large corporations do not do this.
  - Professional sports teams do not do this.
  - Further discussion under Organization and Delegation

## **COMMON MANAGEMENT CHARACTERISTICS**

**SOME CHARACTERISTICS COMMON TO ALL MANAGEMENT, WHETHER THEY BE HIGHLY PAID EXECUTIVES OR LODGE VOLUNTEERS, IN ADDITION TO THE COMMON DENOMINATOR OF HARD WORK, ARE:**

- LEADERSHIP**
- ORGANIZATION**
- PLANNING**
- CONTROL**

**IN THE FIRST PART OF THIS PRESENTATION, IDEAS WILL BE PRESENTED IN EACH OF THESE MANAGEMENT AREAS THAT ARE DESIGNED TO HELP YOU TO GET STARTED IN OPERATING THE BUSINESS OF YOUR LODGE AT AN INCREASED LEVEL OF PROFITABILITY.**

## MANAGEMENT LEADERSHIP

When you were elected as an officer by the members of your Lodge, what came with it was the title and prestige of the position.

What also came with it were the duties and responsibilities of the position.

As earlier stated, Exalted Ruler, you are:

- President of the Lodge
- Chief Executive Officer of the Corporation
- The Captain of the Ship
- The Quarterback of the Management Team

## DUTIES OF LODGE OFFICERS

### EXALTED RULERS:

There are three things that you must absolutely accomplish if you are to have a successful bottom line fraternal and financial operating year.

1. You must preserve reasonable harmony within the Lodge and amongst your officers.
2. You must place the right volunteers in the right positions.
3. You must lead by example with a positive attitude, with proper communication.

## **RESPONSIBILITIES OF LODGE OFFICERS AND MANAGERS**

- Pursue the goals of Elkdom
- Protect assets and good name of the Lodge
- Work in harmony with other Lodge officers as a team.
- Assist the Exalted Ruler in doing the hard work necessary
  1. To operate a quality Lodge with quality bottom line results that sustain and
  2. Enhance the future growth of the Lodge

## **DUTIES OF LODGE OFFICERS**

### **EXALTED RULERS AND OFFICERS:**

There are three things that you must absolutely accomplish if you are to have a successful bottom line fraternal and financial operating year.

1. You must preserve reasonable harmony within the Lodge and amongst your officers.
  - Malignancy of negative politics divides the Lodge.
  - Lose member, shareholder, customer
  - If persistent, leads to a lack of member officers to manage and volunteers to do the work necessary to sustain the Lodge.

2. You must place the right volunteers in the right positions.

- In dealing with volunteers – remember:
  - **Buttonhole them, ask for their help and, if they agree, don't burn them out.**
  - **They will follow only good leaders.**
  - **They will work with you, not for you.**
  - **Their only compensation is recognition.**
  - **Praise in public, criticize, if necessary, in private.**

3. You must lead by example with a positive attitude, with proper communication.

- Chairs and committees must be filled in order that planning, organization and controlling facets are carried out daily by your management team. No time for mediation, etc.
- Quarterback play that self-destructs (DVD illustration).
- Lodges that lack reasonable harmony, adequate volunteers, quality leadership with positive attitudes and proper communications tend to self-destruct internally.
- Exalted Ruler, as Captain of the Ship, your vessel will be dead in the water and your bottom line operating results quite predictable.

# MANAGEMENT ORGANIZATION

Lodge bulletins indicate that the Exalted Ruler has 20-30-40 or more individuals and/or functions reporting direct to him.

- Large corporations with highly paid executives, the military with its chain of command, head coaches in the NFL do not operate this way, but this is the way Elks are set up.
- No one person can effectively manage 20-30-40 individuals and/or functions.

To illustrate:

- A head coach in the NFL cannot be talking to 20-30 people during practice or game conditions.
- An NFL quarterback carrying the ball on every play will lead to major problems.
- Likewise, micro managing by an Exalted Ruler can create problems that could last for some time.

Simply put, the workload must be spread around through the development of an organizational chart or chain of command that:

- Can be tailored to the specific needs of individual Lodges.
- Delegates duties, responsibility and authority of individual positions.
- Establishes specific channels of reporting.
- Defines clearly lines of communication.

- Provides background learning and experience for officers progressing through the chairs while coordinating (not managing) numerous facets of business and fraternal operations.

Once completed and implemented, it is the duty of the officers and managers to chip in by working in reasonable harmony, as a team, to assist the Exalted Ruler in doing the hard work necessary to operate a quality Lodge with quality bottom line operating results.

## **NFL HEAD COACH ORGANIZATIONAL CHART** **ILLUSTRATED**

Work performed each season by an NFL head coach and his staff is very similar to what highly paid corporate executives do and what volunteer managers of the Lodge should be doing.

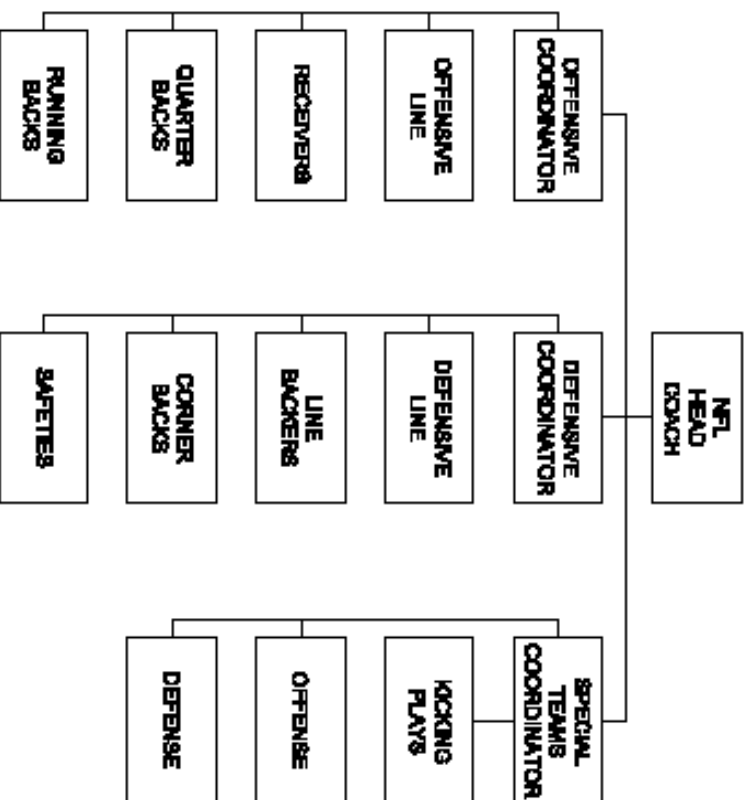
## **ILLUSTRATED EXAMPLE OF A LODGE** **ORGANIZATIONAL CHART**

- A general outline that can be adjusted to fit the needs and conditions of your particular Lodge, i.e. Club Management.



## NFL HEAD COACH ORGANIZATION

1. HIRE COACHING STAFF
2. ASSEMBLE TEAM - BEST PLAYERS - POSITION SUBSTITUTES
3. DEVELOP GAME PLAN - PRESEASON AND REGULAR SEASON
4. PRACTICE GAME PLAN - EARLY AND LATE WEEK
5. EXECUTE THE PLAN - GAME DAY WIN
6. REVIEW THE RESULTS - DURING AND AFTER GAME FILM
7. REPEAT FOR NEXT GAME - FILM - PLAN - SUBSTITUTES



## PARTIAL LISTING OF LODGE COMMITTEES

1. Accident Prevention
2. Insurance
3. Maintenance

4. Membership
5. Investigation
6. Indoctrination
7. Lapsation
8. Stray Elks
9. Elks Training

10. Youth Activities
11. Drug Awareness
12. Hoop Shoot
13. Soccer Shoot
14. ENF Scholarships

15. Flag Day
16. Memorial Day
17. Mothers' Day

Mediator

Presiding Justice

18. Americanism
19. Veterans Services

20. ENF Certificates
21. State Major Projects

22. Government Relations
23. Community Activities

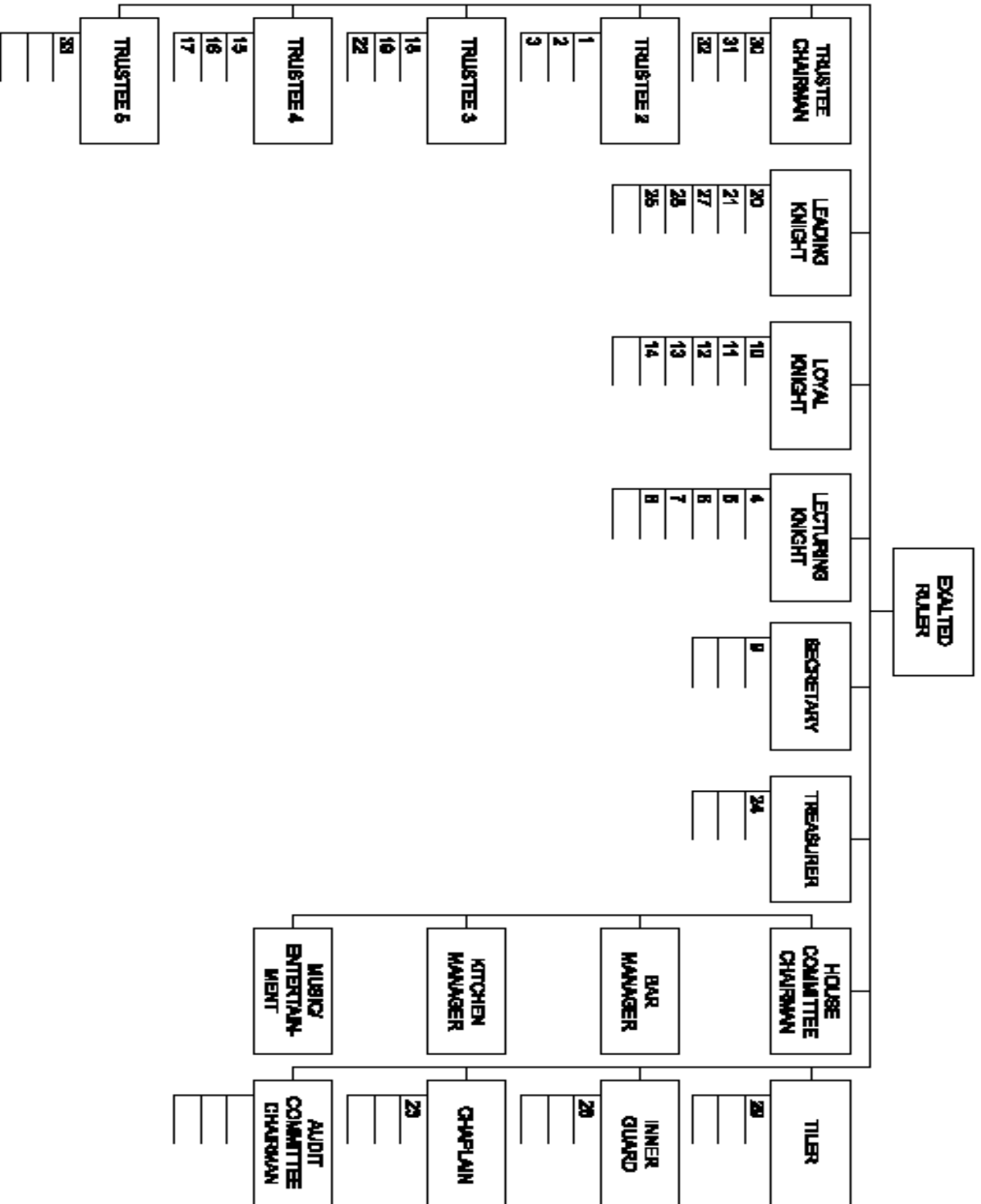
24. Publicity-Public Relations
25. Visitations
26. Lodge Bulletin

27. Lodge Activities
28. Fund Raising
29. Bingo

30. By Laws
31. Protocol
32. Parliamentarian

33. Ritual

# SUBORDINATE LODGE ORGANIZATION



## CHAIRMAN OF THE BOARD OF TRUSTEES

- FUNCTIONS AS QUARTERBACK OF THE TRUSTEES
- ALL WORK OF BOARD IS COORDINATED THROUGH THE CHAIRMAN
- KEEPS EXALTED RULER INFORMED AS TO WHAT IS GOING ON WITHIN THE TRUSTEES ESPECIALLY IF DECISIONS ARE NEEDED ON MATTERS THAT REQUIRE FLOOR ATTENTION AND IN PARTICULAR IF THEY INVOLVE THE EXPENDITURE OF FUNDS, AND ESPECIALLY IF THOSE OUTLAYS ARE NOT BUDGETED AND WILL REQUIRE A 2/3 AFFIRMATIVE VOTE BY THE FLOOR.

## SECRETARY

- THE SECRETARY, REGARDLESS OF WHO MAINTAINS THE CHARITY BOOK, SHOULD COORDINATE ALL REPORTING EXTERNAL TO THE LODGE.
- WHEN ATTENDING A DISTRICT MEETING YOU DON'T WANT TO HEAR THAT YOUR LODGE IS DELINQUENT IN A REPORT, OR WHEN ATTENDING A STATE FUNCTION, THAT YOUR DISTRICT IS DELINQUENT IN REPORTING.

## OPERATING CONTROLS

CLUB GROSS MARGIN IS THE #1 FACTOR IN DETERMINING WHETHER MOST FLORIDA LODGES WILL RECORD AN ANNUAL PROFIT OR LOSS.

THE GRAND LODGE AUDITING AND ACCOUNTING MANUALS STATE:

- Cost of goods (purchase cost vs. revenue net of sales tax) should not exceed 35%.
- Employment costs should not exceed 35% of gross sales.
- Entertainment costs should not exceed 6% of gross sales.
- Inventories should be controlled by someone other than bartenders.
- Proper monthly cut-offs are essential to the above.

### NOTE:

If you are constantly losing money in your dining room,  
you are fooling yourself when you say  
'we are keeping it open to increase  
attendance at the bar'.

## DETAIL ILLUSTRATION OF COST OF GOODS SOLD, GROSS MARGIN AND NET INCOME

EXAMPLE A IS CORRECT. B and C ARE INCORRECT

	<u>Example</u>		
	<u>A</u>	<u>B</u>	<u>C</u>
Gross Revenue Proceeds	\$107	\$107	\$107
State Sales Tax (say 7%)	<u>(7)</u>	<u>(7)</u>	<u>(7)</u>
GROSS SALES	<u>\$100</u>	<u>\$100</u>	<u>\$100</u>
Beginning Inventory	\$ 50	\$ 50	\$ 50
Purchases This Period	<u>30</u>	<u>20</u> *	<u>40</u> *
Goods Available for Sale	\$ 80	\$ 70	\$ 90
Ending Inventory	<u>(45)</u>	<u>(45)</u>	<u>(45)</u>
COST OF GOODS SOLD	\$ 35	\$ 25	\$ 45
% of Gross Sales	<u>35%</u>	<u>25%</u>	<u>45%</u>
GROSS MARGIN	\$ 65	\$ 75	\$ 55
Operating Expenses	<u>60</u>	<u>60</u>	<u>60</u>
Net Income (Loss)	<u>\$ 5</u>	<u>\$ 15</u>	<u>\$ (5)</u>

	<u>CORRECT</u>	<u>INCORRECT</u>
First Month	\$ 5	\$15
Second Month	<u>5</u>	<u>(5)</u>
Total to Date	<u>\$10</u>	<u>\$10</u>

\* Because of an improper cut-off at month end, Purchases and Cost of Goods Sold are understated by \$10 in Month B and overstated by \$10 in Month C.

## PRICING AND POURING DRINKS

OZ/LITER	33.8		
SPILLAGE	<u>(3.8)</u>		11.2%
POURABLE/OZ	30.0		

OZ SERVED/DRINK	2.0	1.5	1.25
DRINKS/BOTTLE	15	20	24

WELL PRICE/DRINK	\$ 2.00	\$ 2.00	\$ 2.00
REVENUE/BOTTLE	\$30.00	\$40.00	\$48.00

CALL PRICE/DRINK	\$ 3.00	\$ 3.00	\$ 3.00
REVENUE/BOTTLE	\$45.00	\$60.00	\$72.00

### SCOTCH COST:

WELL      \$ 7.83/Liter

CALL      \$27.83/Liter    Dewer's    Jack Daniels

## REVENUE PER LITER LESS 7% SALES TAX

<u>WELL</u>	<u>2.0 oz</u>	<u>1.5 oz</u>	<u>1.25 oz</u>
GROSS REVENUE	\$ 30.00	\$ 40.00	\$ 48.00
7% SALES TAX	<u>\$ 2.10</u>	<u>\$ 2.80</u>	<u>\$ 3.36</u>
GROSS SALES	\$ 27.90	\$ 37.20	\$ 44.64
COST/SALES	<u>\$ 7.83</u>	<u>\$ 7.83</u>	<u>\$ 7.83</u>
MARGIN	<u>\$ 20.07</u>	<u>\$ 29.37</u>	<u>\$ 36.81</u>
COST/SALES %	28.1%	21.0%	17.5%

## CALL

GROSS REVENUE	\$ 45.00	\$ 60.00	\$ 72.00
7% SALES TAX	<u>\$ 3.15</u>	<u>\$ 4.19</u>	<u>\$ 5.04</u>
GROSS SALES	\$ 41.85	\$ 55.81	\$ 66.96
COST/SALES	<u>\$ 27.83</u>	<u>\$ 27.83</u>	<u>\$ 27.83</u>
MARGIN	<u>\$ 14.02</u>	<u>\$ 27.97</u>	<u>\$ 39.13</u>
COST/SALES %	66.5%	49.9%	41.6%



## PRICING INDIVIDUAL DRINKS

NUMBER OF 1.5 OZ. POURS	30 OZ. ÷ 1.5OZ. = 20 POURS	
	<u>COST PER BOTTLE</u>	<u>COST PER DRINK</u>
COST PER ILLUSTRATION	\$27.83	\$1.39
ASSUME COST OF MIX/SUPPLIES*	<u>\$ 2.17</u>	<u>\$ .11</u>
TOTAL COST PER BOTTLE	<u>\$30.00</u>	<u>\$1.50</u>

TO MAKE 35% RECOMMENDED COST OF SALES PERCENTAGE YOUR PRICE PER DRINK WOULD BE:

$$\begin{array}{lll} \$1.50 = 35\% \text{ OF } X & X = \$4.29 & \$4.25 = 35.3\% \text{ C/S} \end{array}$$

IF YOU HAVE A 7% SALES TAX:

$$\begin{array}{lll} X = \$4.25 \times 107\% & X = \$4.55 & \$4.50 = 35.7\% \text{ C/S} \end{array}$$

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A \$1.00 COST PER CAN OF BEER:

$$\begin{array}{ll} \$1.00 = 35\% \text{ OF } X & X = \$2.86 \end{array}$$

A \$.35 COST PER CAN OF SODA:

$$\begin{array}{ll} $.35 = 35\% \text{ OF } X & X = \$1.00 \end{array}$$

\*CLUB SODA, TONIC WATER, CANNED, BOTTLED, GUN SODA, LEMONS, LIMES, OLIVES, CHERRIES, VERMOUTH, STIRRERS, NAPKINS, ETC.

## DRAFT BEER

128 OUNCES PER GALLON

1 BARREL (KEG) = 31.5 GAL = 4,032 OZ/KEG

½ BARREL (KEG) = 15.75 GAL = 2,016 OZ/½ KEG

½ KEG	2,016 OZ.
3% SPILLAGE ALLOWANCE	60 OZ.
NET POURABLE OUNCES	1,956 OZ.

ASSUME ½ KEG COST OF \$72 AT SEPTEMBER, 2008

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SERVING PER GLASS	<u>8 OZ</u>	<u>9 OZ</u>	<u>10 OZ</u>	<u>12 OZ</u>
TOTAL SERVINGS PER KEG	245	217	195	163
COST PER SERVING	\$.294	\$.332	\$.369	\$.442
TO OBTAIN 35% COST/SALES	÷.35	÷.35	÷.35	÷.35
PRICE PER SERVING	\$ .84	\$ .95	\$1.05	\$1.26
ASSUME 7% SALES TAX	\$ .90	\$1.02	\$1.13	\$1.35

**LIVE MUSIC SURCHARGE - 25¢ DRINK**  
**BREAK EVEN ANALYSIS**

<b><u>LIVE MUSIC/ BAND COST</u></b>	<b><u>DRINK PRICE ADD-ON</u></b>	<b><u>#BREAK EVEN DRINKS NEEDED</u></b>
\$100	25¢	400
\$150	25¢	600
\$200	25¢	800
\$250	25¢	1,000
\$300	25¢	1,200

## HAPPY HOUR 2 FOR 1 DRINKS BREAK EVEN ANALYSIS

	<u>NORMAL</u> <u>AVERAGE</u> <u>ATTENDING</u>	<u>2 FOR 1 HAPPY HOUR</u>		
		<u>NO</u> <u>INCREASE</u>	<u>50%</u> <u>INCREASE</u>	<u>BREAK</u> <u>EVEN</u>
Number of Customers	40	40	60	160
Average Drinks - Each	2	2	2	2
Total Drinks Sold	80	80	120	320
Average Price - Each	<u>\$ 3.00</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>	<u>\$ 1.50</u>
 TOTAL SALES	 <u>\$240.00</u>	 <u>\$120.00</u>	 <u>\$180.00</u>	 <u>\$480.00</u>
 Average Cost - Each	 \$ 1.00	 \$ 1.00	 \$ 1.00	 \$ 1.00
 TOTAL COST	 <u>\$ 80.00</u>	 <u>\$ 80.00</u>	 <u>\$120.00</u>	 <u>\$320.00</u>
 GROSS MARGIN	 <u>\$160.00</u>	 <u>\$ 40.00</u>	 <u>\$ 60.00</u>	 <u>\$160.00</u>
 COST OF SALES %	 <u>33%</u>	 <u>67%</u>	 <u>67%</u>	 <u>67%</u>
  LIVE MUSIC	  <u>\$100.00</u>	  <u>\$100.00</u>	  <u>\$100.00</u>	  <u>\$100.00</u>
 NET MARGIN	 <u>\$ 60.00</u>	 <u>\$ (60.00)</u>	 <u>\$ (40.00)</u>	 <u>\$ 60.00</u>

## MENU PLANNING – COSTING

	<u># ITEMS</u>	<u>TOTAL COST</u>	<u>PER SERVING</u>
SALAD	4	_____	_____
SPAGHETTI DINNER	12	_____	_____
BEVERAGES	8	_____	_____
SERVICE WARE	<u>8</u>	_____	_____
	<u><u>32</u></u>		
ENTRÉE COST		\$ _____	\$ _____
DESSERT		_____	_____
MEAL COST		\$ _____	\$ _____
LABOR COSTS		_____	_____
DECORATIONS		_____	_____
KITCHEN FEE		_____	_____
MUSIC – ENTERTAINMENT		_____	_____
EVENT COST		<u><u>\$ _____</u></u>	<u><u>\$ _____</u></u>

## ENTRÉE

HAMBURGER	POUND
MARINARA SAUCE	CASE/6
SPAGHETTI	BAG/6LBS
ONIONS	BAG/10LBS
GREEN PEPPERS	PKG/6EA
CHOPPED GARLIC	JAR/48OZ
ITALIAN SEASONING	JAR/6OZ
OLIVE OIL	JAR/16OZ
PARMESAN CHEESE	CONTAINER/4LBS

(9) ITEMS

## SALAD

SALAD MIX

BAG/LBS

TOMATOES

CASE/EA

CUCUMBERS

BAG/EA

SALAD DRESSING

GALLON

(4) ITEMS

## BREAD

FRENCH BREAD

LOAF/20 SLICES

MARGARINE

LB

GARLIC POWDER

JAR/26OZ

(3) ITEMS

## BEVERAGES

TEA	BOX/48 GAL
COFFEE	CASE/12 GAL
SUGAR	BOX/1200
CREAMER	BOX/140
SWEETENER	BOX/1500
LEMONS	EACH
COFFEE CUPS	CASE/500
TEA-WATER GLASSES	PKG/100

(8) ITEMS



## SERVICE WARE

TABLE COVER

ROLL

FORKS

CARTON/600

KNIVES

CARTON/600

SPOONS

CARTON/600

9" PLATES

PKG/250

6" PLATES

PKG/350

SALAD BOWLS

PKG/300

NAPKINS

CASE/500

(8) ITEMS

## OTHER POTENTIAL COSTS

### LABOR

COOKS

SERVERS

BUSING

DISHWASHING

PAYROLL TAXES

### OTHER OPTIONS

DECORATIONS

KITCHEN FEE

MUSIC/ENTERTAINMENT

## COSTING – PORTIONING – PRICING

### 100 SERVINGS – AUGUST, 2008

<u>MENU ITEM</u>	<u>SPAGHETTI</u>	<u>HAMBURGER</u>	<u>BREAD</u>	<u>SALAD DRESSING</u>	<u>9" PLATES</u>
Portion/Each	2.0 oz.	2.5 oz.	1 slice	1.3 oz.	1
Required	200 oz.	250 oz.	100 slices	130 oz.	100
Converted	12.5 lbs.	16 lbs.	5 loaves	1 gal.	1 case
Container	6 lb./bag	Package	20/loaf	128 oz./gal.	250/case
Quantity	2	16 lbs.	5 loaves	1	1
Cost/Each	\$5.64/bag	\$2.62/lb.	\$.99/loaf	\$6.32/gal.	\$11.28/case
 TOTAL COST	 \$11.28	 \$41.92	 \$ 4.95	 \$6.32	 \$11.28
 COST/SERVING	 \$ .1128	 \$ .4192	 \$ .0495	 \$ .0632	 \$ .0451

## PROJECTED CUSTOMER ATTENDANCE

MANY MEMBERS DO NOT LIKE TO PURCHASE  
EVENT/MEAL TICKETS IN ADVANCE.

	<u>PLAN</u>	<u>ACTUAL</u>
NUMBER OF CUSTOMERS	100	50
PRICE PER MEAL	\$ 10	\$ 10
GROSS REVENUE	\$1,000	\$500
COST PER MEAL	\$ 3	\$ 6
TOTAL COST	\$ 300	\$300
COST OF SALES %	30%	60%
GROSS MARGIN	\$ 700	\$200

REVENUE PROJECTED WAS CUT IN HALF, THE COST  
PER MEAL AND COST OF SALES PERCENTAGE  
DOUBLED AND GROSS MARGIN DOLLARS WERE  
REDUCED BY 71.4%.

# VENDOR QUOTATIONS

Do you obtain periodic quotations from food and beverage vendors – high volume items especially?

Considering our competition from other fraternal organizations and competitive local commercial bars and grilles:

- We must buy intelligently
- Normally make more money buying than selling at our generally attractive prices to customers

Generally more options shopping food:

- Local grocery chains, national and/or regional food distributors, major discount clubs, Sam's, Costco
- Normally several brands within each food category

Bar procurement and practices must strictly follow individual state laws:

- Normally more brands to select from on well versus call, top shelf, premium and in non-alcoholic inventory and supply items
- Illustrate Florida liquor, beer, wine vendor sources

## VENDOR QUOTATIONS CONTINUED

Each state has its own unique laws as to who is authorized to sell and distribute alcoholic products and how and where individual drinks can be served.

In Florida:

- State licensed beer distributors are authorized on a county by county basis to sell beer. One distributor handles Budweiser, another Miller Lite, and another Coors.
- There are 3 major statewide licensed liquor distributors, who also operate in several other states, who are authorized to sell and distribute their exclusive brands (Jack Daniels, Crown Royal, Beefeater, Seagram's 7, etc.) on a statewide level.
- Florida Elks Lodges are licensed to sell individual drinks only (no packaged goods) to members and guests on their property as set forth in their liquor license.
- Due to current economic conditions, liquor distributors now require a minimum amount for each purchase with an added fuel surcharge per delivery.

## DEDICATED ELK

He was a procurement officer in the military, retired, and then a purchasing agent for a private corporation, retired and joined the Elks.

He volunteered to do only one thing – to buy all bar and dining room products for the Lodge.

On the first working day of the month:

- Sales representatives are scheduled in, at a regular time, one at a time, and they all know this and often see each other coming and going from the Lodge.
- He goes down his laptop list and gets a quote for each item that is price protected for one month, as food prices are constantly changing. He stores only the price in his shopping file, but has other well developed history files.
- He receives a copy of each vendor's quote for the month.
- He prints out a listing with each item and vendor price listed side by side.
- He then goes to one of the local supermarkets and enters their price for selected items in the fourth column.
- He then goes to Costco and/or Sam's and records prices in the fifth and/or sixth columns.
- He is done and back to the Lodge by 4pm with his friends as happy hour starts.

### — Adjusts priorities

- Earlier he reviewed the social calendar and met with each Committee Chairman sponsoring an event that month, along with the House Committee Chairman.

- Food prices and total cost presented
  - House Committee provides bands, music and other costs
  - Total costs then available for the sponsoring committee to price ticket sales
  - Communicates on specific handling, who cooks, serves, buses, cleans up, does dishes, kitchen service fee, etc.
  - Agrees to how income and all food and expenses charged to the committee will be accumulated and reported, the kitchen price to be charged to the committee for each meal served and how leftovers will be handled.
- He has consistently recorded a very satisfactory Cost of Goods Sold percentage annually since taking over.
  - He will tell you to be cautious of food and beverage special promotions:
    - Perishable foods – deadline dates – don't want to see an Elks Lodge food poisoning article in local newspaper - Bad for business and our membership programs.
    - Liquor – buy 6 or 12 and get one free if slow moving brand is involved.
    - Keep inventory receipts and leftovers under lock and key and store immediately to avoid waste, spoilage and potential theft.
  - Florida liquor quote since 1994
  - Later years, well brand wine quote



# **THESE CAN LEAD TO BIG TROUBLE**

## **EMPLOYEE DISHONESTY**

Regardless of your choice of the three major statutory provisions for managing Club operations, it is suggested:

- **Read the Book!!!**
  - **Grand Lodge Statutes**
  - **Grand Lodge Accounting-Auditing Manuals**
  - **FSEA Food and Beverage Manual – Other State Manuals**
- **Learn about Controls!**
- **Having proper checks & balances is everyone's responsibility.**
  - **Use the checklists!**
  - **If you don't, you can end up like several Lodges over the past few years that lost \$\$.**
- **Past members and/or employees have been in jail and/or on probation for embezzling \$\$.**

- GRAND LODGE AUDITING MANUAL STATES THAT:
  - Each Lodge needs to maintain a system of internal controls to protect assets from waste, fraud and theft, and to ensure accurate and reliable accounting data.
  - Internal controls are largely a matter of common sense. The whole idea is to mitigate the possibility of putting a member or an employee into a position of temptation. If he jumps and commits a defalcation (embezzles), not only can it cost the lodge a lot of money, but it can also cause a great deal of embarrassment to the entire organization.

REMEMBER, AN EMPLOYEE WILL BE  
AS HONEST AS YOU REQUIRE HIM TO BE  
AND AS DISHONEST  
AS YOU TEMPT HIM TO BE!

# **CLUB INTERNAL CONTROLS**

What assurance do you have that all bar and food sales money is turned over to the House Committee, the Secretary, Treasurer and deposited in the bank?

- Is there an audit trail all the way to the bank reconciliation?
- Do Club Records agree with Monthly Financial Statements?

The following subjects, in outline form, are discussed in detail in the DVD presentation.

## **PURCHASE ORDERS**

- Different persons receiving and ordering

## **RECEIVING REPORTS**

## **DELIVERY TICKETS**

- Clearly marked up
- Signed by receiver & delivery person
- Returns, shortages, back orders, substitutions clearly indicated – if not
  - How does secretary know when auditing the bill and preparing the voucher
  - The Exalted Ruler when signing the voucher
  - The Trustees when approving the vouchers and supporting bills that you received

- Right item, quantity, quality, price, payment and other terms as originally agreed to

Employee in vendor's office prepares invoice from delivery tickets. He/she has questions and:

- Can't find sales rep or delivery person
- Will bill for 9 vs. 7 items
- Will bill \$2.25 vs. \$2.00 each
- Will credit 3 vs. 5 items

The mindset being the customer will notify if not correct.

If error not caught by the office, the lodge is out that money and that can be very costly over a period of time.

Adversely affects cost of sales and bottom line results

## COUNT RECEIPTS

- Bank Teller

## WEIGH RECEIPTS

- Properly serviced and maintained scale in kitchen
- Weigh vegetables, meat, poultry, potatoes, etc. Bought by the pound
- Shortages cost you money and can adversely affect customer service.

## INSPECT RECEIPTS - IMMEDIATELY

A lot of businesses have been known to pay for a lot of dry ice:

- Factory employee knows how to pack
- Delivery employee knows where it can be peddled based upon your receiving and inspection procedures.
  - 100 filet dinners (100 x 6 oz. ÷ 16 = 37.5 lbs)
  - #10 can yield test (pour out water)
  - Hot dogs per container

If a case of liquor appears to have been opened, reopen and check each slot for correct brand of liquor.

Not fair to hold up driver unnecessarily as they have route to complete for their boss.

Don't let pressure or persistence by delivery personnel affect the precision with which you receive, count and inspect the goods.

If they persist, remind them you are the customer

- In here, we are running a business and,
- These are the prudent business practices that we follow.

In other words, let some other, less prudent, customer buy the excess dry ice.

## SECURITY

How many people have a key to your personal residence?

- Limited access to authorized personnel only
- Knock down boxes
- Losses, not reimbursed by your insurance company, affect bottom line results

## INVENTORY RECORDS

What to order . . . . .slow moving goods

Perpetuals maintained? If not:

- Accuracy of your month end physical inventory
- Basis of reference – what to order
- Turnover data - what's selling and not
- What brands to carry in inventory, especially if you change House Committee Chairmen each year.
  - Beefeater ex-auditor
- Compare month end physical inventory to perpetuals and follow up on differences
  - Before they get out of hand and become very costly

## SLOW MOVING INVENTORY REVIEWS PERIODICALLY

- Dollars tied up on shelf for resale
- Long time customer, good tipper, always drinks same thing moves, demits, sits on shelf collecting dust
- Committee function – don't use regular kitchen staff, tend to overbuy so not to run out and have unusable, slow moving leftovers
- Leftovers – store immediately:
  - avoid waste
  - unauthorized movement – theft
- If you do not have perpetual inventory record, different color stickers by month (bar and kitchen) add price if physical inventory manually done.

## MOVE EXCESS INVENTORY

- Special deep discounted meal (cash & space)
- Snack: Monday night football  
Lodge meeting night
- Booze raffle or barrel of cheer
- Give away as door prize in compliance with state liquor laws and other statutory requirements.

## **ARE THERE ESTABLISHED BAR POLICIES, AND ARE THEY ENFORCED?**

- Spillage – carelessness
- Over pouring – not ringing up sales hard to catch
  - If member notices, should report to House Committee Chairman and follow-up reprimands made
- Bartenders work for tips
  - Unauthorized free drinks
  - Over pour in front of other customers otherwise happy vs. commercial bar
  - Pour premium liquor and charge for well

Bottom line, my fellow members, who pays for all of these infractions?



## CASH REGISTER – Y AND Z TAPES

Ideal procedure: "Y" & "Z" tape for optimum control

- Bartender, who handles cash and inventory, should not handle either tape.
- They should count their money, prepare their next bank, if required, prepare the daily report and place everything into a bag for placement into the drop safe or other designated protected receptacle.
- House Committee representative:
  - Obtains the "Y" tape
  - Balances cash to "Y" tape
  - Prepares bar banks, if required
  - Reviews cash over and short
  - Prepares daily report for office to record transaction data and to balance cash prior to deposit.
  - Attaches all receipts for miscellaneous supplies purchased out of cash register monies.
- "Z" tape run out by Lodge Secretary and/or Treasurer for balancing as above.
- The House Committee should keep a daily record of bar and food sales and miscellaneous disbursements, cash over and short, by employee, and cash turned in to the Secretary for audit to figures reported on month end financial reports.

- This is an example as operating conditions vary considerably between lodges. These types of controls or alternate controls should be implemented and maintained to fit the needs of your particular lodge operating conditions.
- A general rule to follow is the register tapes and cash should flow in different administrative channels. If not, an acceptable alternate procedure is required to properly safeguard the cash and inventory assets of the Lodge on a consistent and continuous basis.

## BARTENDER REGISTERS

- Cash shortage
  - 4 drinks - \$10 given - \$2 change  
How many drinks rung up?
  - Methods of keeping track
    - Dime – folded dollar – match sticks
  - Y-Z tape access – don't have to keep track
- Cash overage
  - indicates not all drinks being rung up
- Are bartenders required to turn in an empty bottle in replacement for a full bottle?

## **EMPLOYEE DISCIPLINE**

Two notices on file signed by House Committee Manager and witness

Third time – Management problem

## **IMPORTANT CASH HANDLING CONTROLS**

All Club money is Lodge money and must be turned over to the Secretary (12.050-E). Statutes, not custom.

The Secretary should give a receipt to the House Committee Chairman for all monies received, although not currently in the Statutes, as a matter of good Business Practices.

Money should be deposited on a timely basis – recent Florida fraternal organization safe thefts.

## **IMPORTANT FOOD SERVICE CONTROLS**

Pre-number waiter slips and audit to Cash Register Tapes, Cash Receipts and Bank Deposits. Missing slips = missing money.

Real estate is Location, Location, Location. Food Service is Yield, Yield, Yield.

Store, refrigerate, and safeguard vendor receipts and leftovers immediately, against spoilage and potential theft.

# MANAGEMENT PLANNING

## DEVELOPING A BUSINESS PLANNING COMMITTEE

### PARTICIPANTS

Exalted Ruler – Chairman  
Leading Knight  
Loyal Knight  
Lecturing Knight  
Secretary  
Treasurer

All Trustees  
House Committee Chairman  
Audit Committee Chairman  
\*Any Other Members  
Outside CPA  
Legal Counsel

\*Any others, as appointed by the Exalted Ruler with extensive Lodge and/or business background experience, an accountant, business owner or executive, a PER, PDDGER, Lodge Advisor or any longtime member who is capable of contributing to the process.

### PURPOSE

Improve bottom line operating results through involved management planning.

Train Exalted Ruler and Officers in the business operations of the Lodge.

1. Learning rituals, statutes, functions, etc., but no business training.
2. Suddenly responsible for a budget not understood or maybe not even seen.

Preserve the continuity of the business operations of the Lodge.

1. Corporations do not change CEO's, CFO's or Directors every year.
2. Elks positions change annually and often during the year. Works fraternally but is not conducive as a business strategy.

If there are doubters of the process:

1. Review your total cash and equity balances at the end of the last (5) fiscal year ends and see what direction your Lodge is headed.
2. Simply compare your annual dues revenue to your annual electrical bill and see what percent this cost is to your yearly membership income.
3. Compute the amount of Unrestricted Net Available Cash on hand at fiscal year end left over from operations as next illustrated.

This will require a lot of patience.

1. Varying degrees of background and points of view.
2. Not everyone is a world class diplomat.
3. This type forum, or one on one situation, is the place for arguments, debates, disagreements, etc., as it can be healthy, not around the bar or in the parking lot.

This will require flexibility.

1. No matter how diligent your planning, things can change in a hurry as you deal with the obstacles of Murphy's Law that may require a different alternative approach than originally planned.

## POOR PLANNING RESULTS

- Putting numbers on paper to satisfy Grand Lodge Statutes is a waste of time, an exercise in futility.
- A business must operate at a profit. Submitting a budget where income equals expenses does not accomplish this.

NFL coach plans for a tie.

PGA golfer putts for par.

How do you pay to replace the roof, the air conditioning and heating system, a refrigeration unit sometime in the future if you continue to break even or lose money? Where are those funds going to come from?

## CAUTION TO COMMITTEE PARTICIPANTS

This will involve hard work.

- NFL team practices to become good
- Lodge ritual team must practice to become good
- Business planning and execution to produce quality bottom line results is hard work.

This will be time consuming work, especially up front.

This will require a meticulous adherence to detail.

This will require detail record keeping and updates by the Committee Secretary.

## NET AVAILABLE UNRESTRICTED CASH LEFT OVER AT YEAR END FROM OPERATIONS

SOURCE: G. L. ANNUAL REPORT – BALANCE SHEET (PAGE 2)

Cash (Line 1)	\$ 25,000
Investments (Lines 4 & 13)	<u>20,000</u>
Total	\$ 45,000
Accounts Payable (Lines 17 & 20)	(3,000)
Restricted Funds (Line 29)	(9,000)
Deferred Dues (Line 19)	<u>(28,000)</u>
Net Unrestricted Available Cash	<u>\$ 5,000</u>

	<u>TOTAL</u>	<u>PER MONTH</u>	<u>PER WEEK</u>
Cash Operating Expenses	\$104,000	\$8,667	\$2,000
Debt Retirement (Pg.2, Ln.18)	<u>12,000</u>	<u>1,000</u>	<u>\$ 230</u>
Total Cash Outlays	<u>\$116,000</u>	<u>\$9,667</u>	<u>\$2,230</u>

Weeks supply of available unrestricted cash:

Without debt     $\$5,000 \div \$2,000 = 2.5$  weeks

With debt         $\$5,000 \div \$2,300 = 2.2$  weeks

## CASH OPERATING OUTLAYS

SOURCE: G. L. ANNUAL REPORT

<u>CASH OUTLAYS</u>	<u>PAGE</u>	<u>LINE</u>	<u>AMOUNT</u>
LODGE	3	33	\$ 30,000
CLUB	4	25	14,000
COST OF SALES	8	9	48,000
PAYROLL – MUSIC	8	14	<u>12,000</u>
TOTAL CASH OUTLAY			<u>\$104,000</u>

## INVENTORY ON HAND

COST OF SALES	8	9	\$48,000
ENDING INVENTORY	8	8	\$10,000
(ON BOTH PAGE 8 AND PAGE 2)	2	3	

$\$48,000 \div 12 = \$4,000$  AVERAGE MONTHLY COST OF SALES

$\$10,000 \div \$4,000 = 2.5$  MONTHS INVENTORY ON HAND



## **BUSINESS PLANNING PROCESS – STEP #1**

- Obtain the most recent Annual Financial Statement for each Lodge entity and restricted accounts. (Lodge, Bar, Dining, Swim Pool, Golf Club, Bingo, Charity Reserve, Building Fund, etc.)
- Proceed to review each individual General Ledger Income and Expense Account to identify:
  1. Problems and opportunities that will enhance revenue or reduce costs and expenses.
  2. This should include major maintenance and capital asset replacements.
  3. Review the Grand Lodge Activities Manual for ideas. In many lodges, lack of fundraising efforts is a major operating deficiency.
- Prioritize the individual problems or opportunities as to:
  1. Short term – one year
  2. Intermediate term – 2-3 years
  3. Longer term – 4-5 years

## **BUSINESS PLANNING PROCESS – STEP #2**

- Prioritize solutions for each item arriving at the best possible solution, with alternatives listed, for each item and then prioritize the agenda.
- Limit the number of proposed solutions to manageable size so that things get done.
  1. There is only so much water in the glass. You can not be working on 20-30 items at once and be effective.

- In performing Steps #1 and #2 and in carrying out solutions, smaller groups (like the NFL Coach illustration in early or late week) coming together with the whole group or the entire committee doing everything in a round table forum will depend upon the preference of each Lodge.

### IMPLEMENTING SOLUTIONS – STEP #3

- Once solutions are ready for implementation, having determined:
  1. What is to be done
  2. How it is to be done
  3. Who is going to do it, and
  4. When it is to be done
- Everyone must march in the SAME, not opposite directions, working as a team and with a sense of urgency to make improvements.
- The last time this many, or half this many people worked together, as a team, to put on a Lodge event, (Oktoberfest, Sweetheart Ball) it probably was very successful. The same scenario applies here.
- Once steps one through three are completed, you will be in good shape to start applying numbers that are more meaningful to your Annual Budget to be completed by each entity, finalized by the Trustees and submitted to the Lodge for adoption.
- The monthly breakdown of the Annual Budget should not simply be divided by twelve. Bar and food sales should be realistic; Grand Lodge and State Dues are paid in April; insurance, property taxes and licenses are generally paid in specific months.

1. Your year-to-date budgeted amounts should represent your best estimate of where you intended to be at that point in time making comparison to actual and resulting variances meaningful.
  2. This accomplished, your Budget becomes your road map for accomplishing your financial goals for the year.
- Finally, you will have a good start in looking at your operations, capital additions and cash flow (2) to (3) years out and beyond.

## **MONTHLY REVIEW OF ACTUAL VERSUS BUDGETED RESULTS – STEP #4**

- Reasonably timely and accurate financial statements comparing monthly and year-to-date actual results to plan and prior year figures are needed for the entire group to review.
- If not in place, this should be a top priority as this type of information is absolutely essential, in this day and age, to the successful operation of any business enterprise.
- A qualified accountant who is a member of this committee or of the Lodge, or your outside CPA should be present to:
  1. Explain these reports, especially to members with limited financial background.
  2. Explain allocations of certain expenses (electric, insurance, taxes) to avoid disputes between entities.
  3. Highlight variations to plan that require management follow-up action.
  4. An excellent management tool is a monthly carry forward financial report listing each income and expense account, side by side, with the thirteenth column representing year-to-date figures contained on other statements. This shows trends, can point out potential duplicate payments in error or missed bills.

## OBSERVATIONS

- An attitude that we have always gotten by before doesn't pay today's bills.
- Believing that Club Food and Bar profits will carry the Lodge losses is quite often a major incorrect assumption.
- We have a tremendous amount of competition and pressure to our business operations:
  1. Other fraternals and commercial bars and grilles
  2. Pressure from outside the Lodge
    - Stricter DUI law enforcement
    - Tax rate, utility, insurance increases
    - A recessionary economy in late 2007 continuing into 2008
    - Beefed up IRS and other federal, state and local audits
    - Virtually all governments are broke
    - Because of these negative forces, Lodges must be constantly alert to providing quality customer service throughout the Lodge

### 3. Customer treatment at a commercial restaurant:

- Greeted, immediate and continuous service, quality food, cleanliness, reasonably priced, return as a repeat customer

### 4. Customer treatment at a Lodge:

- Greeted? Talked to at bar?
- Profanity?
- Complaints about fellow members or Lodge management?
- Run off a customer
- Self destruct internally
- Potential insolvency or bankruptcy

For the Lodge to remain viable as a successful business, management must be consistently attentive to the qualities of leadership, organization, planning and controls.

**Central Lodge #9999**  
**Profit & Loss by Class/Bar**  
April through August 2008

	<u>Apr 08</u>	<u>May 08</u>	<u>Jun 08</u>	<u>Jul 08</u>	<u>Aug 08</u>	<u>TOTAL</u>
<b>Ordinary Income/Expense</b>						
Income						
401.01 Bar Sales	4,103.93	4,223.57	8,402.84	4,946.27	5,046.82	26,723.43
401.011 Bar Sales Cr Cds	4,630.22	4,553.26	2,281.26	2,032.01	4,821.53	18,318.28
401.02 Video Machines (Non Tax)	666.00	816.00	811.00	703.00	1,044.00	4,040.00
<b>Total Income</b>	<u>9,400.15</u>	<u>9,592.83</u>	<u>11,495.10</u>	<u>7,681.28</u>	<u>10,912.35</u>	<u>49,081.71</u>
Cost of Goods Sold						
415.01 Beer/Liquor	3,678.71	3,813.37	2,458.72	2,560.69	3,604.76	16,116.25
415.03 Bar Food	20.34	0.00	51.60	0.00	0.00	71.94
415.04 Mix/Condiments	350.42	388.16	321.25	326.25	353.37	1,739.45
415.08 Lounge Inventory Change	97.38	(147.68)	717.81	(57.59)	455.09	1,065.01
<b>Total COGS</b>	<u>4,146.85</u>	<u>4,053.85</u>	<u>3,549.38</u>	<u>2,829.35</u>	<u>4,413.22</u>	<u>18,992.65</u>
<b>Gross Profit</b>	<u>5,253.30</u>	<u>5,538.98</u>	<u>7,945.72</u>	<u>4,851.93</u>	<u>6,499.13</u>	<u>30,089.06</u>
Expense						
430.01 Bar Credit Card expense	238.00	198.49	225.41	202.92	135.23	1,000.05
431.1 Repairs/Maintenance	0.00	4.50	64.50	0.00	0.00	69.00
431.12 Contract Services	594.76	1,336.83	537.38	480.00	714.78	3,663.75
431.13 Contract Services/Bands	525.00	637.50	387.50	306.25	425.00	2,281.25
431.14 Lounge Wages	1,980.50	1,338.50	1,449.50	1,460.70	1,369.90	7,599.10
431.26 Operating Supplies	55.80	96.83	136.73	116.32	31.09	436.77
440.01 Electric	1,129.04	675.63	770.42	844.81	765.73	4,185.63
440.02 Water/Sewer/Garbage	84.27	51.94	71.91	307.51	159.67	675.30
440.03 Telephone	224.80	112.39	115.10	0.00	225.11	677.40
470.03 FL Unemployment	126.19	210.10	114.03	196.50	114.03	760.85
470.04 Federal Unemployment	13.00	0.00	0.00	0.00	0.00	13.00
470.06 Licenses	0.00	0.00	0.00	0.00	450.00	450.00
478. Lounge Volunteers	0.00	0.00	0.00	0.00	6.00	6.00
480. Depreciation Lounge Equip	234.81	234.81	234.81	234.81	234.81	1,174.05
480.98 Misc Lounge Expense	49.55	74.78	70.06	50.01	96.48	340.88
6560 - Payroll Expenses	167.33	113.10	122.49	123.43	115.77	642.12
<b>Total Expense</b>	<u>5,423.05</u>	<u>5,085.40</u>	<u>4,299.84</u>	<u>4,323.26</u>	<u>4,843.60</u>	<u>23,975.15</u>
<b>Net Ordinary Income</b>	<u>(169.75)</u>	<u>453.58</u>	<u>3,645.88</u>	<u>528.67</u>	<u>1,655.53</u>	<u>6,113.91</u>
<b>Net Income</b>	<u>(169.75)</u>	<u>453.58</u>	<u>3,645.88</u>	<u>528.67</u>	<u>1,655.53</u>	<u>6,113.91</u>
<b>Cost of Sales (%)</b>	<b>44.1%</b>	<b>42.3%</b>	<b>30.9%</b>	<b>36.8%</b>	<b>40.5%</b>	<b>38.7%</b>

Notes:

- Sales are net of sales taxes that were accrued.
- Contract services had special work performed in May.
- April and August have 2 months of paid phone bills.
- Inventory cut-off in June and August is questionable.

## SPECIFIC OFFICER FUNCTIONS

This section deals with certain of the statutory duties and administrative responsibilities of individual officers as they relate to:

- The business operations of the Lodge.
- The relationship of their duties and responsibilities to the work of other Lodge officers and managers.
- Their relationship with other members and customers in regard to providing adequate customer service.
- Their protection of Lodge assets through adequate internal controls, checks and balances.
- Their involvement in reducing current costs and avoiding unnecessary future cost through prudent management decision making.
- Their vigilance over keeping the Lodge out of trouble by requiring all members to uphold their obligation in obeying the laws of the Order and of the land.

## EXALTED RULER

- Appoints all committees to include the House and Audit Chairmen.
- Is invited to attend all House and Trustee Meetings and is an ex-officio member of the Trustees without a vote.
- Serves as House Committee Chairman when governed by the Trustees and Chair Officers.
  1. Recommend that chairmanship be delegated as time may be too limited for managing day to day food and beverage operations.
- Participates in all budget meetings.
  1. Should have very active involvement inasmuch as the Exalted Ruler's management staff is responsible for achieving actual results.
- Signs all vouchers with the Secretary once the bills have been audited and approved by the Secretary.
- Has no right to demand key to the Secretary's office or combination to the safe.



## SECRETARY

- Receives all monies from all sources and issues a receipt to all sources.
- Posts credits for all receipts to the proper General Ledger Account utilizing the Grand Lodge Chart of Accounts.
- Turns all monies over to the Treasurer immediately and obtains a receipt.
- Maintains timely and accurate membership related records; posts cash receipts to the proper Dues and Fees Income Accounts and prepaid dues to the proper General Ledger Deferred Balance Sheet Account.
- Receives all mail and makes timely and proper distribution.
- Receives all bills against the Lodge; obtains appropriate approvals from House and other Lodge committee chairmen; audits all bills prior to approving; issues vouchers for payment in numerical order; signs all vouchers with the Exalted Ruler and submits all vouchers, with attachments, to the Trustees for review and approval.

- Presents vouchers approved by the Trustees to the Treasurer for reading on the floor as bills against the Lodge.
- In conjunction with the Treasurer, maintains appropriate files for paid vouchers and supporting documents.
- Hires office help that reports direct to the Secretary as authorized by the Lodge.
- Allows limited access to the Secretary's office by authorized personnel only.
- Cannot hold positions simultaneously as Secretary and Club Manager, serve on the Audit Committee nor allow any apparent conflicts of interest matters to remain unchallenged.
- Should open all Lodge records to all members at all reasonable times.

## TREASURER

- Serves as Treasurer for all Lodge committees and handles all Lodge funds.
- Receives all Lodge money from the Secretary; gives a receipt and promptly makes bank deposits.
  1. Many Lodges that have been victimized by theft have incurred an unnecessary loss of money because of excess funds on hand that were not deposited on a timely basis.
- Serves as custodian of all checking accounts, the number of which should be held to a minimum.
- Performs monthly reconciliations of all bank and investment accounts.
- Maintains accurate Cash Receipts and Disbursements records; ensures proper General Ledger coding for each transaction and maintains all books and records in accordance with the Grand Lodge Chart of Accounts.
  1. This includes the proper handling and recording of all restricted accounts.
- Pays all bills against the Lodge on vouchers signed by the Exalted Ruler and Secretary, approved by the Trustees and voted on for payment by the floor.
- By-Laws permitting, recurring bills may be paid after Trustee approval and without Lodge approval provided they are reported to the floor at the next lodge meeting.
- Marks "Paid" on all vouchers along with the date and check number and, in conjunction with the Secretary, files all completed vouchers and supporting documents.

- Signs all checks unless the By-Laws require the second signature by a Trustee as designated by the Treasurer. The second signatory cannot be a family member of the first signatory.
- No pre-signed checks should be issued in advance of properly approved vouchers.
  1. In the case of an emergency, a listing of pre-signed check numbers should be retained by the Treasurer for subsequent audit of the approved voucher, check number and amount, proper General Ledger Account coding and accurate posting to the Cash Disbursement Register.
- Reviews payroll time cards and/or records for proper approval; ascertains that gross pay was properly computed, that payroll taxes were properly withheld on all employees, and that payroll taxes, as well as all other taxes such as Sales, Property, etc., are paid to the proper sources on a timely basis.
- May serve as a routine auditor for the governing body and not be in conflict with the appointed Auditing Committee.
- Should attend all budget meetings and assume an active roll in inputting budget data into the Lodge's financial reporting system.
- Issues timely and accurate monthly financial statements as prescribed by the Lodge and makes monthly financial reports to the Lodge.
  1. Should continually work closely with the Trustees in making updated comparisons of Actual versus Budgeted results as discussed in more detail in the Management Planning Section.

## TRUSTEES

- As agents of the Lodge and subject to the control of the Lodge, they are responsible for controlling all funds and investments; the acquisition, disposition, maintenance and security of all real and personal property; the collection of related rents and other income; the execution of all leases, contracts and other papers approved by the Lodge; and the purchase of all non-club related supplies.
- Maintain an updated listing of all fixed assets owned with original cost plus annual and accumulative depreciation details that agree with General Ledger Control Accounts. An independent copy should be safely stored off premises.
  1. It is suggested that an audio-visual record be maintained both on and off the premises should a need ever occur.
- In securing the premises, they should accommodate required access by the Lodge Secretary and other Lodge designated personnel.
- Responsible for accident prevention and safety programs, monthly inspections, and all major and minor maintenance and repair work.
- Under budgeted items, the maintenance and upkeep of the physical plant, building (to include Club facilities), plumbing, repairs, insurance, decorations, etc., are Trustee, not House Committee responsibility.
- Required to make periodic insurance evaluations and to maintain coverage at adequate levels to protect the financial well being of the Lodge.
- Submit a segregated Annual Budget to the Lodge consisting of all expenditures for all entities (Lodge, bar, dining, golf and/or swim clubs, etc.) to include all restricted accounts (Bingo, Charity, Building Fund, etc.) by the first meeting in April.

- Budget appropriations do not authorize the expenditure of funds until a motion is passed by the Lodge which they may, at a subsequent meeting, rescind a previous authority to disburse such funds as the supreme authority.
- Proposed expenditures in excess of budget must be promptly referred to the Trustees for consideration and written recommendation at the next regular Lodge meeting and then require a 2/3 majority vote by the floor.
- Remember, all acquisitions and dispositions of capital assets to include land, major repairs and/or normal alterations, leases, debt assumption, refinancing, etc., in excess of \$25,000 require a 2/3 vote of the Lodge, forms to be completed for approval by your State Sponsor and approving member of the Grand Lodge Trustees, notice given for overruns, a certification upon completion and other specific provisions as required under 16.050 of the Statutes.
- If By-Law required, serve as a second signatory to the Treasurer on all checks, but cannot maintain any checking accounts.
- May conduct open or closed meetings.
- The duties of the Board of Trustees of the Lodge and its duties as the House Committee are separate and distinct and should not be confused. When sitting as a House Committee managed by the Trustees, they operate the Club and hear complaints for violations of House Rules. As Lodge Trustees they have control of Lodge property and supervise all attendant problems thereto.
- The Trustees and governing body of the Club should handle the day-to-day matters without Lodge direction, but these bodies need Lodge approval for binding contracts and major expenditures of an unusual nature.

## HOUSE COMMITTEE

- House Committee, by By-Laws, is managed, supervised and controlled by one of these methods:
  1. The Trustees
  2. The Trustees, Exalted Ruler and Chair Officers
  3. A House Committee of not less than 3 or more than 13 as appointed by the Exalted Ruler
- House Committee is subject at all times to the control and direction of the Lodge except for:
  1. Employment related matters
  2. Fixing of prices for goods and services
  3. Purchase of Club supplies and procurement of music and entertainment contracts.
- House Committee, for conduct within the Club, may suspend a member from Club and/or other facilities for a period of up to one year. A motion to modify or reverse such action requires a 2/3 secret ballot vote by the floor.
- It shall be the duty of the supervising or managing body of the Club, social parlor or other facility, to present to the Lodge for approval on or before the final regular meeting of the Lodge in April of each year, separate and comprehensive budgets for the proposed operation of the Club, social parlor or other facility. Each supervising or managing body shall submit a monthly written report to the Lodge showing the financial condition of the Club, social parlor or other facility with a comparison to each budget item.

Other quotes or excerpts from Statutes pertaining to all three methods of Club management follow:

- A Lodge may issue without charge, identification cards for use of its facilities only upon the written request of any Member in good standing to:
  1. A spouse of a Member.
  2. An unmarried widow or widower of a deceased Member.
  3. A child or stepchild, under the age of twenty-one (21), of a member or a deceased member.
- The card shall:
  1. Be signed and sealed by the Lodge Secretary.
  2. Be signed by the holder of the card.
  3. Bear an expiration date the same as the expiration date on the membership card of the Member requesting the card.
  4. Be the same color as membership cards for that year and they may be consecutively numbered.
  5. Be supplied by the Grand Secretary.
  6. Show the name of the Member requesting the card.

The privileges connected with identification cards mentioned may be restricted by House Rules or By-Laws.

An Associate Member of the Lodge has the right to use the Club facilities as prescribed in the House Committee Rules for a specified period of time if the Member is in good standing with another Lodge.



- Subject to state and local laws, the use of the Home or Club facilities shall be limited to Members in good standing in the Order, their spouses and guests of Members, and those receiving Identification Cards under Section 14.140, as provided in the House Rules, so as to preserve the privacy of the use of such facilities to the Members of the Order. Subordinate Lodges shall take appropriate action to conform to the provisions of this section. A Member who is delinquent in the payment of dues is not entitled to use the Club facilities or to attend meetings of the Lodge.
- There must be a house rule permitting the holder of an identification card to enter a Lodge without being signed in by a Member. An identification card does not itself permit the holder to purchase goods or services in or from the Lodge.
- The Governing Body may employ a manager, who need not be a Member of the Order, whose employment ends upon expiration of the term of the Governing Body. The succeeding Governing Body determines his re-employment.
- While the Governing Body of the Club facility may not contract to employ a manager for more than one year, the Lodge itself may expressly authorize a contract of employment by the Committee for a term of more than one year. The resolution should specify the term, salary, duties and basic essentials for the contract.
- No member of the supervising or managing body shall be employed in any capacity by the supervising or managing body, nor shall any Exalted Ruler be employed by the House Committee appointed by him, nor may they serve on the Auditing Committee.
- All Homes, Clubs, Club Rooms and Social Parlors shall be closed during the hours of all regular and special meetings of the Lodge, except those facilities thereof designated for the use of and then being used only by the non-Member spouses and minor children of the Members of the Lodge, providing the use does not interfere with the proper functioning of Lodge meeting. Any Lodge violating this Section under any pretext whatever shall be liable to a forfeiture of its Charter.

## DETAIL ILLUSTRATION OF COST OF SALES

	<u>Example</u>		
	<u>TOTAL</u>	<u>BAR</u>	<u>FOOD</u>
Gross Revenue Proceeds	\$214	\$107	\$107
State Sales Tax (say 7%)	<u>(14)</u>	<u>(7)</u>	<u>(7)</u>
GROSS SALES	<u>\$200</u>	<u>\$100</u>	<u>\$100</u>
Beginning Inventory	\$100	\$ 50	\$ 50
Purchases This Period	<u>60</u>	<u>30</u>	<u>30</u>
Goods Available for Sale	\$160	\$ 80	\$ 80
Ending Inventory	<u>(90)</u>	<u>(45)</u>	<u>(45)</u>
COST OF GOODS SOLD	\$ 70	\$ 35	\$ 35
% of Gross Sales	<u>35%</u>	<u>35%</u>	<u>35%</u>
GROSS MARGIN	\$130	\$ 65	\$ 65
Operating Expenses	<u>110</u>	<u>55</u>	<u>55</u>
Net Income (Loss)	<u>\$ 20</u>	<u>\$ 10</u>	<u>\$ 10</u>

## COST OF SALES SECTION

### Can Lodge management answer these questions?

- Are Cash Receipts and Cash Disbursements functions properly maintained and controlled within your Lodge?
- Is the Grand Lodge Chart of Accounts properly used?
- Are all committee members having cash receipt and disbursement responsibility aware of the Grand Lodge Statutes and Accounting Manuals rules in regard to the handling, reporting and recording of such transactions?
- Examples of errors that can affect Bar and/or Dining Cost of Sales and/or overall total Cost of Goods Sold:
  1. House Committee reported in error or the Lodge office coded in error Bar vs. Kitchen Sales or vice versa.
  2. House Committee or office improperly codes in error Bar vs. Kitchen disbursements or vice versa.
  3. House Committee or office improperly codes in error an inventory purchase between Bar and Kitchen.

### Are month end cut off procedures understood and properly handled by all responsible personnel?

- If you do not properly cut off sales, inventory purchases and take the physical inventory on the same cut off date, you will distort Cost of Sales in your monthly Financial Statements.

- For example, the month ends on Friday evening, October 31<sup>st</sup>.

1. Prior to the start of business on Saturday, November 1<sup>st</sup>, you must ensure that:

- Sales records between the Club and Lodge office are cut off properly,
- Physical inventories of the Bar and Kitchen counted,
- Accounts Payable for all unpaid bills on hand or outstanding are properly recorded.

2. Examples of errors

- Physical inventory and Accounts Payable cut offs are proper, but House Committee doesn't report the last day or two of sales on time.
  - Sales and Accounts Payable cut offs are done properly but physical inventories are not taken until the following Monday morning, November 3<sup>rd</sup>.
  - Goods received on Friday, October 31<sup>st</sup> were properly counted and included in the month end physical inventory.
- Many Lodges operate on a Cash Basis and do not record inventory purchases and operating expenses until the check is written sometime later on. To properly cut off inventory products purchased you must:
    1. Set up as a month end Accounts Payable to get inventory on the books, and if not reversed in the following month,

2. Must debit Accounts Payable (not Inventory Purchases) in the following month when the check is written or
  3. Subtract the total amount of unpaid invoices, included in physical inventory count, from the total extended value of the month end physical inventory. (Simplest way)
- House Committee members and others serving on the suggested Planning Committee know that Cost of Sales do not fluctuate much between months. A distortion due to handling and reporting errors can lead to a loss of confidence in monthly financial reports.

Do you have a policy as to free drinks and food?

- Who receives and when?
- Who approves?
- Who accumulates, costs, reports and records these transactions?

1. Journal Entry from Cost of Sales to Operating Expenses.

- Dignitaries, volunteers, visitors
- Bar – Kitchen – Lodge Expense
- If substantial, can distort your Annual Cost of Goods Sold Percentage.

Do you have a policy and procedure where event ticket sales include food and/or beverage consumption?

- Committee buys all food and beverages in compliance with all applicable laws, and is charged and credited to a Committee Income and Expense Account or netted into one account. The simplest method.
- If the House Committee buys the products, and State Law may require liquor usage to come from this source, the actual cost of food and beverage must be credited from the Bar and Kitchen Cost of Sales (purchases) and charged to the Committee Expenses so that the Club is in the same position after the transaction as they were before.
- If the Club is buying and providing all services, it must be agreed to in advance:
  1. What the menu items will be, what portions will be served, and what price will be charged per serving.
  2. What type of liquor and mix will be served; what amount poured per drink; the price to be charged per drink; and how these drinks will be tallied, i.e. credit card, bartender tally, drink tickets issued, etc.
  3. The cost of music, servers, busing, bartenders, dishwashers, set-up, decorations, clean-up, service fees, etc. fully understood.
  4. What if food is unique to the event and not usable by the kitchen within its regular menu?
    - How will leftovers be handled and recorded?

In conclusion, proper planning, organization, leadership, control and communication of these matters can avoid unnecessary costs, avert accounting errors that adversely affect your Cost of Sales Percentage, and possibly lead to hard feelings amongst your fellow members.

# **THESE CAN LEAD TO BIG TROUBLE**

## **1. ILLEGAL GAMBLING**

## **2. BEING OPEN TO THE PUBLIC**

## **3. EMPLOYEE DISHONESTY**

## **4. VIOLATIONS OF WORKER LAWS**

- Non-paid member and non-member volunteers
- Casual laborers
- Independent contractors
- Paid employees

## **5. VIOLATIONS OF TAX LAWS**

- Payroll taxes
- Federal, State, County and Local taxes and licenses
- Florida Sales and Use taxes

# THESE CAN LEAD TO BIG TROUBLE

## 1. GAMBLING – IT'S ILLEGAL

- 50-50, raffles, know who is in the Lodge
- Slot Machines, ER & Bartender booked on felony charges
- A & T agent raids – task forces – Sheldon
- Super Bowl pool – HATF
- Area 3, IRS \$600,000 all savings & sold land
- Texas Hold 'Em – open to the public
- Open to the public bingo and bingo pull-tabs in Florida are legal, but you must follow the law, rules and regulations
- Public raffle, over \$25,000, requires Florida state registration
- There are IRS Form W-2G reporting requirements for raffle, 50-50, etc. winners paid over \$600 and bingo game winners paid over \$1,200
- BE CAUTIOUS OF ALL GAMBLING GAMES and apparatus that may violate the law.



# **THESE CAN LEAD TO BIG TROUBLE**

## **2. OPEN TO THE PUBLIC**

- Grand Lodge Statutes – Charter
- IRS Regulations – Rev. Proc 71-17, 1971-1, C.B. 683
  - **501 (c) (8) Not for Profit Fraternal Organization** open ONLY to members and guests
  - **Elks Group Exemption Number is 1156 (New IRS Reg.)**
- Federal liquor license
- Florida liquor license
- Florida incorporation
- Madeira Beach raid – 27 non-members
- Don't want to bother fraternalists or be smoking police, but they must investigate complaint calls:
  - **Disgruntled former employee**
  - **Disenchanted spouse**
  - **Dissatisfied member**

## **STATUTORY PAYROLL RELATED TAXES**

If you have employees, you have Federal, State and Local Tax Laws that apply to both the employer and employee.

Workers who qualify as employees are subject to taxes that can generally range between 16% and 33% of gross pay dependent upon State and Local Laws.

If you don't comply with these laws there are severe federal and state penalties.

## **FEDERAL AND STATE EMPLOYMENT AND TAX ISSUES LINKS**

Federal Tax Link

[www.irs.gov](http://www.irs.gov)

Federal Employment Link

[www.dol.gov](http://www.dol.gov)

State Tax and Employee Link

[www.myflorida.gov](http://www.myflorida.gov)

Click on GET ANSWERS

## FOR EXAMPLE

<u>TYPE OF TAX</u>	<u>FEDERAL%</u>	<u>FLORIDA%</u>
Employee Social Security (FICA)	6.20	6.20
Employee Medicare	<u>1.45</u>	<u>1.45</u>
Total Employee Rate	7.65	7.65
Employer Matching Rate	<u>7.65</u>	<u>7.65</u>
Minimum Federal Rate	15.30	15.30
Employer Federal Unemployment (First \$7,000)	<u>0.80</u>	<u>0.80</u>
Adjusted Federal Minimum	16.10	16.10
Federal Income Tax Withheld (Depends upon employee W-4 form on file) Let's assume	-0-	10.00
Employer State Unemployment Tax (Depends upon State Law) Let's assume*	3.00	5.40
Other State Income and Local Payroll Taxes	<u>?</u>	<u>-0-</u>
Estimated Total Rate	<u>19.10</u>	<u>31.50</u>

\*Florida's Range zero to 5.40%

# YOUR LODGE WORKERS

## 1. UNPAID VOLUNTEERS

- Members – Non-members
- Free food and beverage
  - Sales/Use taxable at cost
  - IRS compensation could apply
  - Transfer from Cost of Sales to Lodge or Club Volunteer Expense

## 2. CASUAL LABOR

- Non-consistent / Temporary help excludes:
- Regular part time office / maintenance / janitor / prep cook / bartender / dishwasher
- Regular weekend waitress staff

## 3. INDEPENDENT CONTRACTORS

- A. A general rule is that you, the payer, have the *right to control or direct only the result of the work done by an independent contractor and not the means and methods of accomplishing the result.*

- State licensed businesses with IRS federal I.D. numbers not requiring 1099 forms
- Those requiring 1099 forms, which are contractor version of W-2 forms – you must have a W-9 form on file, i.e. bands, and if not, 28% must be withheld

B. Generally, you must report payments to independent contractors on Form 1099-MISC if the following four conditions are met:

- You made the payment to someone who is not your employee
  - You made the payment for services in the course of your trade or business
  - You made the payment to an individual, partnership, estate or, in some cases, a corporation
  - You made payments to the payee of at least \$600 during the year
- IRS penalties apply to each form not filed

# PAID EMPLOYEES

## 4. WHO IS A PAID EMPLOYEE?

A general rule is that anyone who performs services for you is your employee *if you can control what will be done and how it will be done.*

There are 21 guidelines that the IRS and state of Florida use to determine if an employer – employee relationship exists. You have employees if you:

- Retain the right to hire and fire
- Provide all the work tools
- Provide the work space
- Control the hours worked
- Control the quality of work
- Plus 16 other rules

If you have employees, you have federal, state, and local laws that apply.

If you don't comply, there are severe federal and state penalties.

If You Have Employees, You Have Workers' Compensation.

- If you are in an industry other than construction and have four (4) or more employees, full-time or part-time, you are required to carry workers' compensation coverage.
- Check with other Lodges in your area to see where they have obtained coverage. Individual lawsuits can be substantial.
- Failure to do so, if investigated, could result in being shut down and fined \$1,000 per day plus other penalties, i.e. employee falls, glass cuts.
- Posters, by Florida law, must be visible within the Lodge.
- There are substantial variations between states in this area and professional consultation is recommended to keep you out of trouble.

## IF YOU HAVE EMPLOYEES YOU HAVE....

### A. Federal and state payroll taxes

Federal income tax withholding

- **Based upon W-4 Form** – dependents

Employee FICA (6.20%) and Medicare (1.45%)

- **Taxes withheld** – total (7.65%)

Employer matching taxes (7.65%) for

- **A total of (15.3%) of gross pay**
- **Payments are made by bank deposit** monthly. See IRS topic 757 for rules. Don't send deposit to wrong place.

- **Form 941** – Employer's quarterly federal tax return is due by the last day of the month following the end of the quarter (10 additional days if tax deposits were made on time).
  - Reconciles bank deposits with actual taxes owed
- **By January 31<sup>st</sup>, Form W-3 is due**
  - **Shows total number of W-2s filed and gross pay and tax amounts**
  - **Reconciles 4 quarterly 941s with W-2s**



## IF YOU HAVE EMPLOYEES YOU HAVE....

### **B. Unemployment Taxes**

- **Federal unemployment taxes**
  - **Employer only – 0.8% of \$7,000 wages**
- **Florida state unemployment taxes**
  - **First 3 years 2.7% of \$7,000 wages**
  - **Thereafter based upon actual experience with a rate of zero to 5.4% max**
  - **Maximum rate 6.2% (federal 0.8% plus state 5.4%)**
- **Federal and state U.C. taxes are filed and paid quarterly. The annual federal return is filed on Form 940 or 940-EZ.**
- **State U.C. taxes administered by the Florida Department of Revenue**
- **Other states will vary in their rates and laws**

## FEDERAL UNEMPLOYMENT

- Form 940 and 940-EZ Employer's Annual Federal Unemployment Tax Returns
- You may have to file a Federal Unemployment tax return, Form 940 or Form 940EZ, if either of the following situations applies:
- You paid \$1,500 or more in wages during any calendar quarter, or
- You had at least one employee work for some part of a day in any 20 or more different weeks.

## FLORIDA STATE UNEMPLOYMENT

- Who Is Liable?
- You have a quarterly payroll of \$1,500 or more in a calendar year.
- You have one or more employees for a day (or portion of a day) during any 20 weeks in a calendar year.
- You are liable for federal unemployment tax.
- A liable employer is required by law to display the poster *To Employees Form UCT-83* in a place where all employees can see it.
- If notified of an audit, call immediately your local CPA and/or State Business Practices Committee Chairman.

## FAIR LABOR STANDARDS ACT (FLSA)

1. Both the federal government (FLSA) and the state of Florida (Article X – effective May 2, 2005) have fair wage and labor laws.
2. Various minimum wage exceptions apply under specific circumstances to disabled workers, full-time students, youth under age 20 in their first 90 days of employment, tipped employees and student-learners.
3. By law, the Florida minimum wage per hour, that exceeds the federal rate, applies to all Florida employees who are covered by the federal minimum wage law.

### Florida Law Effective January 1, 2008:

### Federal Rate:

\$3.77/Hour Employer Direct Wage

\$2.13/Hour

\$3.02 Florida Constitution Tip Credit

\$3.02/Hour

\$6.79/Hour Employee Minimum Wage

\$5.15/Hour

### Other Federal Law Provisions Include:

- Overtime pay – over 40 hour work week @ 1½ regular rate
- Disabled workers
- Youth workers – 14 to 20 years old
- Tipped employees – reporting and taxes
- Mandatory record keeping
- Employers are required to keep records on wages, hours and other items which are generally maintained as an ordinary business practice.

## **TIPPED EMPLOYEES FEDERAL LAW**

- **TIPPED EMPLOYEES ARE THOSE WHO CUSTOMARILY AND REGULARLY RECEIVE MORE THAN \$30 A MONTH IN TIPS (IRS PUBLICATION 15, CIRCULAR E)**
- **THE EMPLOYER MAY CONSIDER TIPS AS PART OF WAGES, BUT THE EMPLOYER MUST PAY AT LEAST \$2.13 AN HOUR IN DIRECT WAGES (\$3.02/HOUR FL APPLIES).**
- **EMPLOYEES MUST RETAIN ALL OF THEIR TIPS, EXCEPT TO THE EXTENT THAT THEY PARTICIPATE IN A VALID POOLING OR SHARING ARRANGEMENT.**
- **IF LESS THAN 10 EMPLOYEES, REPORTING IS NOT REQUIRED, BUT PAYROLL TAXES APPLY.**

## EMPLOYEE RECORDS

- MAINTAIN THE FOLLOWING ON EACH EMPLOYEE:
  - FULL NAME AND SOCIAL SECURITY
  - ADDRESS WITH ZIP
  - EMPLOYMENT HOURS
  - PAY BASIS
  - PAYROLL HISTORY
  - DATE OF PAYMENTS AND AMOUNTS
  - DATE HIRED AND TERMINATED, IF APPLICABLE
    - ALSO SUGGESTED: DISCIPLINARY ACTION DOCUMENTATION
  - PAYROLL TAX STATE AND FEDERAL TAX DEDUCTION FORMS, i.e. W-4, STATE INCOME TAX

# PENALTIES!

## FEDERAL

- EMPLOYERS WHO WILLFULLY OR REPEATEDLY VIOLATE THE MINIMUM WAGE OR OVERTIME PAY REQUIREMENTS ARE SUBJECT TO A CIVIL MONEY PENALTY OF UP TO \$1,000 FOR EACH VIOLATION.
- VIOLATORS OF THE CHILD LABOR PROVISIONS ARE SUBJECT TO A CIVIL MONEY PENALTY OF UP TO \$10,000 FOR EACH YOUNG WORKER WHO WAS EMPLOYED IN VIOLATION.
- WILLFUL VIOLATIONS OF THE FLSA MAY RESULT IN CRIMINAL PROSECUTION AND THE VIOLATOR FINED UP TO \$10,000. A SECOND CONVICTION MAY RESULT IN IMPRISONMENT.

## FLORIDA

- IT PROVIDES FOR ENFORCEMENT, INCLUDING DOUBLE DAMAGES FOR UNPAID WAGES, ATTORNEY'S FEES AND FINES BY THE STATE. IT FORBIDS RETALIATION AGAINST EMPLOYEES FOR EXERCISING THIS RIGHT.
- THESE ARE NOT TRAFFIC TICKETS!

## TAXES, LICENSES, PERMITS, RECORDS

State of Florida Incorporation Certificate – This requires an annual fee to renew your license to do business as a Registered Corporation in the state of Florida.

U.S. Treasury Department Federal Occupational Tax Certificate – This allows the Lodge to sell alcoholic beverages within federal regulations currently under government review.

State of Florida Department of Business and Professional Regulation Retailer Alcoholic Beverage License – This allows the Lodge to sell alcoholic beverages within the Lodge as a retailer (Wholesale sales are absolutely prohibited!) to individuals over 21 years of age under Chapter 561 of Florida Statutes and within other applicable ABC rules and regulations.

Same as Above – Retailer Tobacco License – This allows the Lodge to sell tobacco products to individuals over 18 years of age under Chapter 569.14(1) of Florida Statutes.

State of Florida Department of Revenue Resale Tax Certificate – This section of the Statutes governs the reporting and payment of State Sales and Use Taxes later discussed.

State of Florida and (local) County Department of Health Sanitation Certificate – This allows for food service within the Lodge subject to the Club's compliance with State Statutory conditions that are subject to periodic inspection by County officials. Cleanliness, safety and environmental matters head the counties' checklist.

(In some jurisdictions) County Coin Operated Amusement Machine Certificate – This license allows you to operate non-gambling amusement game machines within the Lodge. All revenue is subject to State Sales and Use Tax.

County Vending Machine Licenses – This permits the on premises sale of cigarettes, candy, soda, etc. type products in vending machines owned or rented by the Lodge.

State and County Bingo Regulations – While Florida still has a State Open-To-The-Public Bingo Law, compliance and enforcement procedures are now generally controlled by local county laws and regulations.



Local laws governing Tangible and Intangible Personal Property and Real Estate Taxes must be complied with to avoid unnecessary penalties associated with defaults.

Employers Federal and State Billboard Requirements – This mandates displaying posters, etc. at a location within the Lodge. These explain Federal and State of Florida Regulations regarding Equal Employment Opportunity, Minimum Wages, Overtime Provisions, Workers' Compensation Laws, Unemployment Compensation Laws, Child Labor Laws, etc.

IRS Federal (9) digit I.D. Certificate – This is required when filing 990 and 990-T annual Federal Income Tax Forms with the IRS. It is also the reference point for all employer and employee data reports and payroll related tax payments such as FICA, Federal Income Tax Withholding and Federal and State Unemployment Taxes.

IRS Record Retention Publications – These instructions state how long various Lodge and Club records must be retained by law.

## FLORIDA DR 15 SALES & USE TAX

Administered by the Florida Department of Revenue

Due by the 20<sup>th</sup> of each month

Net Sales (tax not included) is reported

Rate varies by county

All Lodges are subject to these taxes. It has nothing to do with being a 501-c-8 IRS corporation.

This is an ultimate consumer tax.

If notified of an audit, call immediately your local CPA and/or State Business Practices Committee.

Watch for double payment of taxes – tax on ticket sales vs. tax on event purchases, i.e. decorations

- Complimentary drinks & foods are taxable at cost
- Must have sign posted indicating tax included
- Must show price of items

Tax included calculation example:

Total Sales equaled \$100

$\$100 / 1.065 = \$93.90$  Net Sales

$\$100 - 93.90 = \$6.10$  Tax Collected

\$6.10 if paid to State prior to the 20<sup>th</sup> will result in:  
 $0.025\% / \$6.10 = \$0.15$  which is your discount –  
actual payment to State will be \$5.95 and \$.15 stays in your Lodge account

## COUNTY – LOCAL AD VALOREM TAXES

Taxes are assessed on bar and dining fixed assets. Under Chapter 196, non-profit fraternal organizations may be fully or partially exempt if determined such assets were predominately or exclusively used for charitable purposes.

Financial reporting to the local property tax appraiser will be required. Get your CPA involved. Same for some R.E. and P.P. taxes.

State Secretary has all information on file.

## REQUIRED POSTERS – DISPLAYS

F-S Minimum Wage Law

F-S Fair Labor Standards Act

S Workers' Compensation Laws

F Equal Opportunity Laws

F Discrimination Laws

F-S Unemployment Laws

F-S Child Labor Laws

F-S Clean Air Acts

F-S Family Medical Leave Acts

F-S Safe and Healthful Workplace Acts

F-S Employee Polygraph Protection Act

All Federal, State, County, and Local Licenses and  
Permits

Suggested: G.L. Membership, etc. Posters

# **ANNUAL GRAND LODGE AUDIT REPORT** **RELATED MATTERS**

**Statutes – 13.040, A-K (excerpts)**

**Transmittal Letter – Complete**

**Federal income tax returns must be attached, Form 990,  
990EZ, 990T**

**Grand Lodge forms – [www.elks.org](http://www.elks.org)**

**Chart of accounts (4.330)**

**Budget data**

**Cost of sales data**

**Insurance coverage data**

**Restricted accounts**

**Bingo**

**Other**

**P.E.R. Association accounts**

**Member dues and fees reconciliation**

## ANNOTATED STATUTES – EXCERPTS

Section 13.040. The Auditing & Accounting Committee shall:

A. Engage an accountant with the approval of the Lodge to prepare the Annual Financial Report (Audit, Review or Compilation) in accordance with the Grand Lodge Auditing, Accounting & Management Manual. The Annual Financial Report must include all books, records and activities of the Lodge, Home, Club, separate corporation and any other entity affiliated with the Lodge for the fiscal year ending March 31<sup>st</sup>. The accountant shall be one who is independent of the accounting and bookkeeping operations of the Lodge or any entity thereof, except as provided in paragraph *j*.

B. Deliver to the accountant the Annual Financial Report forms furnished by the Grand Secretary.

C. Receive from the accountant and deliver to the Lodge by June 15 the accountant's report which will include the required standard Annual Financial Report forms with budget comparison and applicable Federal and State tax returns, complete for all entities of the Lodge.

D. Send one copy of the Annual Financial Report, prior to June 30, to the District Deputy Grand Exalted Ruler and the Area Member of the Grand Lodge Committee on Auditing & Accounting. Failure to timely submit the report

may subject the Lodge to an immediate fine of one hundred dollars (\$100) and a subsequent fine of an additional one hundred dollars (\$100) each thirty (30) days thereafter, not to exceed five hundred dollars (\$500). Payment of a fine does not relieve the Lodge of the duty to file the report and continued refusal will be considered Contumacy.

Probation – loss of charter.

F. Require the use of the Uniform Chart of Accounts provided in Section 4.330.

H. The Members of the Committee shall continue with their duties until the Annual Financial Report is completed for the fiscal year in which appointed and reported to the Lodge and filed with the Grand Lodge as herein directed.

J. A Subordinate Lodge may apply to Grand Lodge for permission to prepare its own Annual Financial Report using in-Lodge personnel under the supervision of the Lodge Auditing & Accounting Committee. Minimum requirements for in-Lodge preparation of the Annual Financial Report are:

1. Lodge must make application under guidelines promulgated by Grand Lodge.
2. Lodge application must be approved by Grand Lodge Area Sponsors via their Area Member of Grand Lodge Auditing & Accounting Committee.

3. Lodge receiving written approval must use Grand Lodge Chart of Accounts in conjunction with number placement recommendations contained in the *Grand Lodge Auditing, Accounting & Management Manual*.

4. Lodge Federal and State Tax Returns must be prepared by a Licensed Tax Professional who is independent of the Lodge and independent of preparation of the Grand Lodge Annual Financial Report. The same financial information used to prepare the Annual Financial Report must be independently used to prepare the applicable Federal and State Tax Returns.

K. No Lodge Secretary, Treasurer, Trustee or any member of the Supervising or Managing Body of the Club, Social Parlor or other facility established in connection with the Lodge shall serve as a member of the Auditing & Accounting Committee.



## TRANSMITTAL LETTER

### 1. Must be complete

Check all (4) boxes

- Prepared by: Name independent accountant
- Date approved by Lodge
- All entities included
- Chart of accounts used
- Last Board of Trustees review of insurance coverage: date...adequate
- 3 members Lodge A & A committee
- Signature of A & A committee chairman
- Exalted Ruler – Secretary data

### 2. Send the original to your Grand Lodge Auditing & Accounting Area member with a copy to your DDGER.

## **TRANSMITTAL LETTER**

Are all boxes checked and appropriate data included? Often, the detail accountant's statements are not attached, Page 12 recommendations are excluded and Grand Lodge Membership Reports are missing even though all boxes are checked.

Were Uniform Chart of Accounts properly reflected on Pgs. 2, 3, 3A, 4, 4A, 5, 6, 8, 10 and 11 of the Financial Report along with applicable budget figures for all entities?

Lodges often omit the date of the meeting that the members voted to approve the Report for forwarding to appropriate Grand Lodge and IRS sources.

Is the date of the last insurance review shown?

Is your insurance coverage, in fact, adequate? If Page 9 attachments indicate Personal Property Coverage of \$200,000 and on Page 2, Line 7 of the Balance Sheet it shows \$350,000 at original cost, a more thorough review is obviously in order.

Are there actually three active Lodge Auditing & Accounting Committee members or are these simply names to complete the form?

Note that the Exalted Ruler, Secretary, Treasurer, Trustees, etc., per the Statutes of the Order, cannot serve on the Lodge Audit Committee.

Did the Chairman of the Lodge Auditing & Accounting Committee sign the Transmittal Letter?

Was a copy sent to your DDGER and your current Area Representative of the Grand Lodge Auditing & Accounting Committee?



## TRANSMITTAL LETTER

Area Member  
Grand Lodge Auditing and Accounting Committee

Dear Committee Member:

In accordance with Section 13.040, Laws of the Order, we are enclosing the results of the examination of the books and records for the fiscal year ending March 31<sup>st</sup>, **2008** of lodge:

Lodge Name, Number & District: **Central #9999 ED7777**  
Address, City, State, Zip: **8888 Main St., Anywhere USA 00000**

The enclosures consist of the following:

- ☒ Transmittal Letter and Page 1 through 12 of Grand Lodge Forms
- ☒ Copies of all of Accountant's Financial Statements.
- ☒ Copies of recommendations of Accountant.
- ☒ Copy of Federal Income Tax Return(s) (Form 990/990T) and any applicable State Returns as required.
- ☒ Copy of latest Annual Membership Report – Page One [BOTH SIDES]

The Lodge's records are maintained utilizing  
the Uniform Chart of Accounts as required by Sec. 13.040: ☒ Yes ☐ No

All entities of the Lodge are included in this report: ☒ Yes ☐ No (If no, explain below.)

The report was prepared by **George M. Moliz, CPA** an independent accountant.  
The report was presented to the Lodge membership on the **25th** day of **June, 2005**.

The last date our insurance was reviewed was on the **16** day of **December, 2007**. The review was made by the Board of Trustees of the Lodge and found to be ☒ Adequate ☐ Inadequate.

### Lodge Auditing & Accounting Committee Members:

Name	Address	Phone Number
Joe Brown	100 Oak Street	
Jack Black	200 Elm St.	
Mary Green	300 Pine St.	

### Exalted Ruler:

Name	Address
Sam White	400 Cypress St.

### Secretary:

Name	Address
Mike Blue	500 Briar Lane

Send copies to the following:

- ☐ 1. G.L. Auditing & Account Comm. Area Member
- ☐ 2. D.D.G.E.R.
- ☐ 3. Retain for Lodge File
- ☐ 4. Auditing File

Fraternally,

**Paul Duke**  
Chairman, Lodge Auditing & Accounting Committee  
Year Ending **2008**

**DO NOT SEND ANY COPY TO GRAND SECRETARY**

Page 1

**For Internal Use Only** (revised 3/2008)

## ACCOUNTANT'S REPORT

Your outside accountant will make comments based upon the work performed: a compilation, review or opinion audit. An opinion audit will contain specific findings and results of the CPA's audit work.

For those Lodges qualifying for 'in house' preparation of the financial forms (not the Federal Tax Returns), specific information should be presented as to the nature of the work performed and the qualifications of the preparer(s).

On occasion, opinions have been issued on the financial condition of the Lodge at March 31<sup>st</sup> and the results of operations and cash flow for the year then ended by non-CPA's NOT authorized within the State to render such opinions.

Both the Accountant's Report and Federal Tax Return should be signed and dated by your outside accountant.



Lodge Name: Central Lodge Number: 9999

### ACCOUNTANT'S REPORT

June 23, 2008

Auditing and Accounting Committee  
Central Elks Lodge #9999  
8888 Main St  
Anywhere, USA 00000

I have assembled the balance sheet of Central Elks Lodge #9999 as of March 31, 2008 and the related statements of funds revenues, expenses and comparisons to approved budgets; cash flows; notes to financial statements; supplemental schedules; and accountant's recommendations and suggestions for the year then ended in the form prescribed by the Grand Lodge of the Benevolent and Protective Order of Elks of the United States of America, hereinafter referred to as "Grand Lodge".

My assembly was limited to presenting in the form prescribed by Grand Lodge information that is the representation of management. I have not performed an audit or a review of the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirements of Grand Lodge, which may differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

The Florida Board of Accountancy licenses me both as an individual and as a firm. My license numbers are AD-0000001 and AZ-0000001, respectively.

A handwritten signature in cursive script, appearing to read "George M. Meliz".

George M. Meliz  
Certified Public Accountant

**For Internal Use Only** (revised 3/2008)

## BALANCE SHEET – PAGE 2

The Balance Sheet represents the Lodge's financial condition on the closing date of the Grand Lodge fiscal year end of March 31<sup>st</sup>. The Grand Lodge fiscal year extends from April 1<sup>st</sup> to March 31<sup>st</sup>.

The Balance Sheet represents your assets owned less your liabilities, etc., owed at March 31<sup>st</sup>, the difference being your Net Equity at year end.

Current assets (Lines 1-5) are cash or other assets expected to be converted to cash within the fiscal year. Prepaid expenses represent the unexpired balances of expenditures of cash in advance for goods and services as of March 31<sup>st</sup>. A \$2,400 payment for a one year insurance premium made on September 20<sup>th</sup> for the period October 1<sup>st</sup> through September 30<sup>th</sup> will be ½ expired and charged to Operating Expenses as of March 31<sup>st</sup>, and ½ unexpired and reported as Prepaid Expense at March 31<sup>st</sup>.

Long term assets such as real and personal property and certain investments of a longer term nature, not expected to be converted to cash within a year are recorded on Lines 6-15.

Current liabilities (Lines 17, 18, 20) are debts expected to be paid within the fiscal year. Prepaid Dues cash included on Line 1, received from members in advance for next year's membership (line 19), are to be recorded as Earned Dues Income in the next fiscal year. Many lodges spread the amortization of prepaid (deferred) dues to Dues Income equally over each of the 12 months by a standard journal entry.

Other cash received by March 31<sup>st</sup>, but not yet earned is reported on Line 25 as Deferred Income. This income is recorded in the following year when actually earned, i.e. Banquet Deposits, Advance Ticket Sales, Raffles, etc.

Long Term Liabilities (lines 22, 23) represent that portion of mortgage and loan principle balances not due for payment during the next 12 months.

Restricted Funds (equity) (Lines 27-29) represent temporary or permanent restrictions on Cash (Line 1) for specific future expenditures as determined by vote of the membership of the Lodge. Bingo Fund restrictions are governed by local law and IRS regulations. Building Fund expenditures are often governed by state, county and local laws and regulations, etc. in regard to asbestos, pollution, noise, health and safety issues, etc., and may be subject to taxes, licenses, permits, etc. The help of professionals is highly recommended.

Equity (unrestricted) (Line 30) represents the accumulated Net Worth of the Lodge as of March 31<sup>st</sup>.

## **FEDERAL INCOME TAX RETURNS**

All figures presented in the Lodges' Financial Reports must agree with figures presented on the Federal Tax Returns (heretofore IRS Forms 990, 990EZ, 990T). Because the IRS reporting system will change substantially in FYE 2009, it is suggested that the Lodge Officers and Audit Committee work closely with your outside accountant in successfully implementing all reporting changes.

**Central Lodge No. 9999**  
**Combined Balance Sheet**  
**(All Entities)**

	Prior Year March 31, 2007	Current Year March 31, 2008
<b>ASSETS:</b>		
<b>Current Assets:</b>		
1. Cash on Hand & in Bank	\$37,118.60	\$30,868.58
2. Prepaid Expenses	\$350.00	\$575.00
3. Inventories	\$9,219.12	\$10,912.50
4. Investments	\$72,343.09	\$67,946.08
5. Total Current Assets:	\$119,030.81	\$110,302.16
<b>Fixed Assets:</b>		
6. Buildings	\$391,039.98	\$391,039.98
7. Personal Property	\$115,013.97	\$115,013.97
8. Total	\$506,053.95	\$506,053.95
9. Less: Accumulated Depreciation	\$272,700.68	\$283,805.28
10. Net Book Value	\$233,353.27	\$222,248.67
11. Land	\$70,001.33	\$70,001.33
12. Total Fixed Assets	\$303,354.60	\$292,250.00
<b>Other Assets:</b>		
13. Investments - Long Term		
14. Other	\$3,364.02	\$2,789.02
15. Total Other Assets	\$3,364.02	\$2,789.02
16. TOTAL ASSETS	\$425,749.43	\$405,341.18
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities:</b>		
17. Accounts Payable	\$1,669.71	\$1,798.02
18. Note Payments - Due within One Year		
19. Deferred Dues & Fees	\$19,366.00	\$19,482.00
20. Other Payables		
21. Total Current Liabilities	\$21,035.71	\$21,280.02
<b>Term Liabilities:</b>		
22. Note Payments - Due After One Year		
23. Obligated funds	\$10,492.68	\$13,574.84
24. Total Term Liabilities	\$10,492.68	\$13,574.84
<b>Deferred Income:</b>		
25. Other		
26. Total Deferred Income	\$0.00	\$0.00
<b>Restricted Funds:</b>		
27. Charity	\$7,305.67	\$2,704.90
28. Other		
29. Total Restricted Funds	\$7,305.67	\$2,704.90
<b>Equity</b>		
30. From Page 8, Schedule 2	\$386,915.37	\$367,781.42
31. TOTAL LIABILITIES AND EQUITY	\$425,749.43	\$405,341.18



## BALANCE SHEET ACCOUNTS – PAGE 2

### CURRENT ASSETS

Cash – Prior year end (Line 1) must agree with Page 6, Line 25 and current year end (Line 1) with Page 6, Line 26.

The Lodge Internal Audit Team should count all imprest cash funds and determine that all cash and investment accounts have been reconciled to bank and investment statements as of March 31<sup>st</sup>. Many outside accountants list the BOY and EOY Balances for each cash account on Page 7, the total of which agrees with Cash Reported on Page 2, Line 1. While not mandatory this is a recommended reporting step.

Prepaid Expenses – Line 2, the difference between Beginning of Year (BOY) and End of Year (EOY) balances must agree with Page 6, Line 5.

Inventories – Line 3, the difference between BOY and EOY balances must agree with Page 6, Line 6.

Inventories on Line 3 (BOY) must agree with Club Inventories on Page 8, Line 5 and (EOY) with Page 8, Line 8. Failure to do so can indicate other operating and/or accounting problems.

If the inventories on Page 2, Line 3 include Lodge Resale Items such as shirts, pins, emblems, etc., your accountant should list these separate from Club Inventories on Page 7.

Investments – Line 4, the difference between BOY and EOY balances must agree with Page 6, Line 7.

Specifics of Short Term Investments, their cost and market values at March 31<sup>st</sup> and any realized gains or losses booked during the year should be explained in detail on Page 7, to include the accounts where Gains and Losses are reported within the financial reports. (Pages 3, 3A, 6, 8, ???)

## **FIXED ASSETS**

**Buildings** – Line 6, the difference between BOY and EOY balances must agree with Page 6, Line 21.

**Personal Property** – Line 7, the difference between BOY and EOY balances must agree with Page 6, Line 18.

**Land** – Line 11, the difference between BOY and EOY balances must agree with Page 6, Line 18.

Any major fixed asset additions, disposals, sales, deletions, etc. to include major fire or other damage should be explained in detail on Page 7, to include the accounts where gains and losses have been booked during the year. Insurance recoveries should be adequately explained and identified in the statements. All fixed assets are to be recorded at cost per the Grand Lodge Accounting Manuals. There are no provisions for writing these assets up to estimated market or replacement values.

Remember, Capital Additions, Loans, etc. over \$25,000 must follow Grand Lodge Statutes. State, county and local laws may also apply as to construction materials, asbestos, noise, pollution, water retention, health issues, etc. that require taxes, fees, licenses, inspections, etc. that could result in unnecessary avoidable costs for non-compliance.

Lodges are required to keep detailed Fixed Assets Registers in support of General Ledger Fixed Asset and Accumulated Depreciation Reserve Balances. Video inventories should be made of all assets, independently stored off premises and periodically reviewed in conjunction with insurance coverage updates and the Statutes of the Order.

**Accumulated Depreciation** – Line 9, the difference between BOY and EOY balances must agree with Page 6, Line 4.

Both of these figures must, in turn, agree with the total of Depreciation Expense reported on Page 3, Line 35, and Page 4, Line 27. In some cases, depreciation reported on Page 5 must be added.

If these figures do not agree because of Fixed Asset Retirements, Disposals, Sales, etc., they should be explained in detail on Page 7, to include the accounts where gains and losses have been booked during the year.

Page 2, Line 9 Accumulated Depreciation:

EOY	\$283,805.28
BOY	<u>272,700.68</u>
Expense	<u>\$ 11,104.60 (A)</u>

Depreciation Expense:

Lodge Page 3, Line 35	\$ 5,426.90
Club Page 4, Line 27	<u>5,176.08</u>
Expense	<u>\$10,602.98 (B)</u>

Depreciation Expense Page 6 Line 4      \$11,679.60 (C)

If one of these 3 figures is correct, then the schedules containing the other 2 have errors of some nature that require investigation and correction. For example, the \$575.00 difference between (A) and (C) is represented by the net BOY versus EOY change in other assets on Page 2, Line 14, that should have been included on Page 6, Line 8 thereby reducing Page 6, Line 4 to the correct figure.

The *Grand Lodge Accounting Manual* and IRS regulations require the recording and reporting of Annual Depreciation Expense, even for cash basis taxpayers. Several lodges do not do this. Your CPA should be advised accordingly as this will be noted by your Grand Lodge Auditing & Accounting Committee Area Representative.

Other Long Term Assets – Lines 13-15, the difference between BOY and EOY balances must agree with Page 6, Line 20.

Long Term Investments and other assets should be explained in detail on Page 7 as to terms and conditions, state their cost and market values at March 31<sup>st</sup> and explain which accounts within the statements include gains or losses realized during the year.

## **CURRENT AND LONG TERM LIABILITIES**

Accounts Payable – Line 17, the difference between BOY and EOY balances must agree with Page 6, Line 9.

Bills owed for goods and services received prior to March 31<sup>st</sup> to be paid in April or shortly thereafter in the normal course of business are booked as Payables in order to properly record Expenses, Payrolls, Inventory Purchases, etc. in the correct fiscal year.

Note Payments – Due within one year – Line 18, the difference between BOY and EOY balances must agree with Page 6, Line 10. Due after one year – Line 22, the difference between BOY and EOY balances must agree with Page 6, Line 19.

Specific terms and conditions of all long term borrowings to include collateral requirements must be included on Page 7. Most accountants list annual principle payments required for each of the next 2 – 3 – 4 years with the remaining balance shown as a lump sum. Lodge management must be continuously aware of the reasons for these borrowings and the need to meet all obligations in order to avoid additional costs and/or actions such as foreclosure.

Deferred Dues and Fees – Line 19, the difference between BOY and EOY balances must agree with Page 6, Line 11.

The offsetting cash balance is included on Page 2, Line 1, representing deposits of member dues received at March 31<sup>st</sup> in advance for next year's membership renewal. These dues are Earned Income on April 1<sup>st</sup>.

Other Payables – Line 20 and Obligated Funds – Line 23, the difference between BOY and EOY balances must agree with Page 6, Line 12.

Indebtedness other than for goods and services for normal operations are reported here. An example would be near term payments due for construction in progress billings from contractors.

Obligated funds, in this case, represent the balance of cash received over cash spent that has been raised on a continuing basis by the Lodge's Veterans Committee for future expenses, the Drug Awareness/Youth Activities Committee for future functions and the PER Association for future capital asset acquisitions. These funds have been approved by the Lodge as designated for these purposes but not formally approved as temporary or permanent Restricted Fund Accounts. They could also have been reported as Deferred Income on Line 25 with the difference between BOY and EOY balances agreeing with Page 6, Line 13.

## EQUITY

Restricted Funds Equity – Lines 27-29, the differences between BOY and EOY balances must agree with Page 6, Line 14.

There must be a separate Page 5 submitted for every restricted account reported on Lines 27-28. The net change between BOY and EOY balances must be in agreement with Page 5, Line 26 and in the case of multiple restricted accounts, the accumulated net total of all Page 5, Line 26's must equal Page 2, Line 29.

All temporary and permanent restricted accounts must be approved by vote of the Lodge. Examples of permanent are Building Funds, Capital Additions and Bingo. Examples of temporary are specific charity funds, fundraisers for a specific purpose, state major project donations, etc.

Specifics of each restricted account should be adequately explained on Page 7 with reference to the location of offsetting cash and/or investment accounts contained within the financial statements.

Unrestricted Equity – Line 30, the difference between BOY and EOY balances must agree with the net total of Lines 1, 2, 15 and/or 16 on Page 6, as also presented on Schedule 2, Page 8, Lines 20, 21 and 22.

As noted on Page 8, Line 22, all adjustments must be fully explained as a footnote at the bottom of Page 8 or in the "*Notes to Financial Statements*" on Page 7.

The BOY and EOY balances on Line 30 must agree with Page 8, Lines 19 and 23 respectively.

Note that this is not Fund Accounting. Regardless of the accounting system employed: cash basis, accrual, modified or hybrid accrual, the overall consolidated Net Profit or Loss for the year end March 31<sup>st</sup> is added to or subtracted from BOY Equity on Line 30 to arrive at EOY Unrestricted Equity.

## CHART OF ACCOUNTS

The current *Grand Lodge Auditing, Accounting and Management Manual*, Code 5101 (Green Book) contains the Uniform Chart of Accounts that should be employed for individual transactions, that when properly summarized, feed into balances presented for each account contained on each schedule included in the Annual Financial Report and Federal Tax Return.

## LODGE INCOME STATEMENT – PAGE 3

This is the Lodge Profit and Loss Statement for the 12 months ended March 31<sup>st</sup> that either adds to or subtracts from BOY Equity on Page 2, Line 30.

This Statement includes all sources of the Lodge's cash revenues less all cash expenses to arrive at the Cash Profit or Loss on Line 34. Subtracting Non-Cash Depreciation Expense on Line 35 results in reported Net Profit or Loss for the year.

Additional revenue and expenses listed on Page 3A when totaled on Lines 7 and 40 must agree with Page 3, Lines 7 and 32 respectively.

As elsewhere explained, Depreciation Expense must be reconciled to figures included on Pages 2 and 6.

Budget figures and variances must be included on Pages 3, 3A, 4, 4A and 5 in order for the report to be accepted as complete by your Grand Lodge Auditing & Accounting Committee Representative.

Bingo Service Fees on Page 5 must agree with Service Fee Income on Page 3 or 3A.

Allocated expenses such as Utilities, Insurance, Taxes, Interest, Supplies, Janitorial, Accounting, etc. should be realistically computed and consistently applied on a monthly and annual basis. Sound business and accounting methods used in determining these allocations should not be influenced by management changes or by a political environment. Intra-departmental income and expense transfers should be clearly indicated in the accounts and presented on the statements.

**Central Lodge No. 9999**  
**Statement of Lodge Fund Revenue, Expenses**  
**and Comparison to Approved Budget**

	Prior Year Ended March 31, 2007		Current Year Ended March 31, 2008	
	Actual	Actual	Budget	Over (Under)
<b>REVENUE:</b>				
1. Dues (Page 10)	\$25,035.00	\$25,801.00	\$30,862.00	(\$5,061.00)
2. Fees (Page 11)	\$2,495.00	\$2,655.00	\$2,655.00	\$0.00
3. Rent	\$900.00	\$1,075.00	\$4,000.00	(\$2,925.00)
4. Interest & Dividends	\$6,789.21	\$5,632.92	\$500.00	\$5,132.92
5. Contributions	\$205.51	\$10,140.52	\$15,975.00	(\$5,834.48)
6. Fund Raising	\$29,677.23	\$11,330.44	\$9,378.30	\$1,952.14
7. Other (Totals from Page 3A)	\$4,200.00	\$0.00	\$0.00	\$0.00
<b>8. Total Revenue</b>	<b>\$69,301.95</b>	<b>\$56,634.88</b>	<b>\$63,370.30</b>	<b>(\$6,735.42)</b>
<b>EXPENSES: (List)</b>				
9. Acctg. & Legal				\$0.00
10. Audit	\$1,000.00	\$1,000.00	\$1,000.00	\$0.00
11. Bulletin	\$4,909.42	\$5,398.14	\$5,500.00	(\$101.86)
12. Convention	\$3,351.44	\$5,680.74	\$3,600.00	\$2,080.74
13. Data Processing				\$0.00
14. Dignitary Entertainment	\$1,487.04	\$2,394.47	\$2,775.00	(\$380.53)
15. Employee Benefits				\$0.00
16. Insurance/Fid. Bonds	\$4,608.48	\$3,697.50	\$6,000.00	(\$2,302.50)
17. Interest				\$0.00
18. Janitorial Expense				\$0.00
19. Supplies	\$6,517.46	\$2,582.52	\$2,600.00	(\$17.48)
20. Office Expense	\$294.51	\$3,912.78	\$3,400.00	\$512.78
21. Officer's Expense	\$979.78	\$2,416.78	\$1,625.00	\$791.78
22. Per Capita - Grand Lodge	\$4,128.50	\$4,347.00	\$4,000.00	\$347.00
23. Per Capita - State	\$807.75	\$850.50	\$800.00	\$50.50
24. Rent Expense				\$0.00
25. Repairs & Maintenance	\$16,453.53	\$15,147.05	\$17,000.00	(\$1,852.95)
26. Salaries & Wages	\$11,102.53	\$11,284.96	\$11,500.00	(\$215.04)
27. Taxes, Payroll	\$403.93	\$1,317.52	\$2,950.00	(\$1,632.48)
28. Taxes, Other	\$1,269.23	\$1,107.19	\$1,254.00	(\$146.81)
29. Telephone	\$1,595.97	\$1,182.99	\$1,200.00	(\$17.01)
30. Utilities	\$7,706.76	\$9,276.12	\$8,900.00	\$376.12
31. Fund Raising Expenses	\$6,141.48	\$2,421.26	\$4,125.00	(\$1,703.74)
32. Other (Totals from Page 3A)	\$8,158.63	\$5,456.25	\$11,230.00	(\$5,773.75)
<b>33. Total Expenses</b>	<b>\$80,916.44</b>	<b>\$79,473.77</b>	<b>\$89,459.00</b>	<b>(\$9,985.23)</b>
34. Increase/(Decrease) Before Depreciation Expense	(\$11,614.49)	(\$22,838.89)	(\$26,088.70)	\$3,249.81
35. Depreciation Expense	\$3,416.76	\$5,426.90	\$3,000.00	\$2,426.90
<b>Increase/(Decrease) Equity (Page 8)</b>	<b>(\$15,031.25)</b>	<b>(\$28,265.79)</b>	<b>(\$29,088.70)</b>	<b>\$822.91</b>

**NOTE: The Notes to Financial Statements Are An Integral Part Of This Page.**

**Central Lodge No. 9999**  
**Statement of Lodge Fund Revenue, Expenses**  
**and Comparison to Approved Budget**

	Prior Year Ended March 31, 2007	Current Year Ended March 31, 2008		
	Actual	Actual	Budget	Over (Under)
<b>REVENUE:</b>				
<b>Other: (Identify)</b>				
Lodge service fee	\$4,200.00			\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
<b>7. Transfer Totals to Page 3</b>	\$4,200.00	\$0.00	\$0.00	\$0.00
<b>EXPENSES: (List)</b>				
Entertainment	\$5,389.70	\$5,456.25	\$5,000.00	\$456.25
Miscellaneous donations	\$2,768.93	\$0.00	\$6,230.00	(\$6,230.00)
				\$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
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
				\$0.00
<b>40. Transfer Totals to Page 3</b>	\$8,158.63	\$5,456.25	\$11,230.00	(\$5,773.75)



## CLUB INCOME STATEMENTS – PAGE 4

This is the continuation from Page 8 of the Profit and Loss Statement for the 12 months ended March 31<sup>st</sup> for Club Operations that either adds to or subtracts from BOY Equity on Page 2, Line 30.

This Statement starts on Page 8 with the combined Bar and Dining Gross Profit figure following Line 14. Gross Profit is determined by subtracting Cost of Sales (Line 9) from Gross Sales (Line 4) to arrive at Gross Margin and after subtracting Direct Expenses (Lines 10-13) to arrive at Line 14 Gross Profit. After adding other Club Revenue on Pages 4 and 4A and subtracting Cash Operating Expenses and Non-Cash Depreciation, you arrive at reported Net Profit or Loss for the year.

All comments regarding Depreciation Expense, Budgets, Allocated Expenses, Intra Entity Transfers, and agreeing 4A totals to Page 4 apply here as explained for Pages 3 and 3A.

Note that all Club Labor Costs, Management and Hourly must be included on Page 8, Line 10, (none on Page 4) to be used in comparing the actual cost of labor, taxes and meals as a percentage of Gross Sales to the recommended maximum of 35% prescribed in the Grand Lodge Manuals. In a vast number of lodges nationwide, 35% would represent a major detriment to the profitability of the Lodge.

**Central Lodge No. 9999**  
**Statement of Club Fund Revenue, Expenses**  
**and Comparison to Approved Budget**

	Prior Year Ended March 31, 2007		Current Year Ended March 31, 2008	
	Actual	Actual	Budget	Over (Under)
<b>REVENUE:</b>				
1. Gross Profit (Page 8)	\$48,012.07	\$62,767.76	\$60,690.00	\$2,077.76
2. Facility Rental				\$0.00
3. Other (Totals from Page 4A)	\$0.00	\$0.00	\$0.00	\$0.00
<b>8. Total Revenue</b>	\$48,012.07	\$62,767.76	\$60,690.00	\$2,077.76
<b>EXPENSES: (List)</b>				
5. Advertising				\$0.00
6. Alarm Service				\$0.00
7. Accounting				\$0.00
8. Audit				\$0.00
9. Auto Expense				\$0.00
10. Cash Over/Short	\$458.94	\$89.53		\$89.53
11. Equipment Rental				\$0.00
12. Insurance		\$2,466.28	\$1,550.00	\$916.28
13. Janitorial Expense				\$0.00
14. Laundry				\$0.00
15. Payroll Taxes				\$0.00
16. Licenses	\$450.00	\$578.00	\$700.00	(\$122.00)
17. Repairs & Maintenance	\$9,982.80	\$11,931.22	\$12,900.00	(\$968.78)
18. Salaries				\$0.00
19. Supplies, Bar	\$2,960.59	\$2,335.72	\$1,800.00	\$535.72
20. Supplies, Kitchen	\$4,300.92	\$7,087.68	\$2,500.00	\$4,587.68
21. Telephone	\$594.69	\$1,243.63	\$600.00	\$643.63
22. Utilities	\$17,432.22	\$19,990.09	\$19,300.00	\$690.09
23. Pro-rated Overhead				\$0.00
24. Other (Totals from Page 4A)	\$1,366.33	\$2,737.69	\$0.00	\$2,737.69
<b>25. Total Expenses</b>	\$37,546.49	\$48,459.84	\$39,350.00	\$9,109.84
26. Increase/(Decrease) Before Depreciation Expense	\$10,465.58	\$14,307.92	\$21,340.00	(\$7,032.08)
27. Depreciation Expense	\$2,298.00	\$5,176.08	\$2,264.00	\$2,912.08
<b>Increase/(Decrease) Equity (Page 8)</b>	\$8,167.58	\$9,131.84	\$19,076.00	(\$9,944.16)

**NOTE: The Notes to Financial Statements Are An Integral Part Of This Page.**

**Central Lodge No. 9999**  
**Statement of Club Fund Revenue, Expenses**  
**and Comparison to Approved Budget**

**Prior Year Ended  
March 31, 2007**

**Current Year Ended March 31, 2008**[illegible]

## RESTRICTED ACCOUNTS

- These funds represent money collected and held in trust to be used for the sole purpose for which it was intended. Accounting for restricted funds is different from that for unrestricted funds. Income is debited to the appropriate asset account and credited to a restricted fund account in the 241-00 to 279-00 series. Expenses are debited to the restricted account and credited to the proper asset account. The balance represents the amount of cash held in trust which cannot be used for operating expenses.
- Permanent vs. Temporary Restrictions
- The difference between Revenue on Page 5, Line 8 and Expenses on Line 25 is either added to or deducted from Line 27 or 28 on Page 2 and is unrelated to Unrestricted Equity Changes on Line 30.

## BINGO

See Chapter 849 of the Florida Statutes

849.0931 Bingo authorized; conditions for conduct; permitted uses of proceeds; limitations – open to public – bar is off limits

Check with your county for additional guidance – no sales tax on bingo

Bingo is a restricted account on page 2 and 5 of the Annual Audit Report.

## PER ASSOCIATIONS

- All funds generated or held by a PER Association, other than PER dues, belong to the Lodge, may only be used if budgeted and approved by the Lodge, and are subject to audit by the Lodge.
- (GLS 13.190 O-02)
- If raised for a specific purpose(s), funds must be restricted by vote of the Lodge.

**Central Lodge No. 9999**  
**RESTRICTED FUNDS**  
**Statement of Restricted Funds Revenue, Expenses**  
**and Comparison to Approved Budget**  
(Use additional pages as necessary - Label Pages 5A, 5B, etc.)  
(Use separate statement for each entity - Bingo, Las Vegas, Lucky 7's, etc.)

**Combined Page 5's Must Equal Difference Between Prior and Current Year  
Restricted Fund on Balance Sheet, Page 2.**

Restricted Account Title:					
		Prior Year Ended March 31, 2007		Current Year Ended March 31, 2008	
		Actual	Actual	Budget	Over (Under)
<b>REVENUE:</b>					
<b>Other: (Identify)</b>					
Bingo	\$88,679.53	\$85,033.75	\$2,500.00		\$0.00
					\$82,533.75
					\$0.00
					\$0.00
					\$0.00
					\$0.00
<b>8. Total Other Revenue:</b>	\$88,679.53	\$85,033.75	\$2,500.00		\$82,533.75
<b>EXPENSES: (List)</b>					
Operating expenses	\$174.10				\$0.00
Cash awards	\$76,120.75	\$75,243.00			\$75,243.00
Service fee	\$4,200.00	\$4,200.00			\$4,200.00
Operating supplies	\$4,233.27	\$1,899.93			\$1,899.93
Donations	\$2,550.00	\$8,291.59			\$8,291.59
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00
<b>25. Total Other Expenses:</b>	\$87,278.12	\$89,634.52	\$0.00		\$89,634.52
<b>26. Restricted Fund Increase (Decrease)</b>	\$1,401.41	(\$4,600.77)	\$2,500.00		(\$7,100.77)
	Fund balance, 3/31/07	\$7,305.67			
	Fund balance, 3/31/08	\$2,704.90			

**Restricted Funds are NOT a Part of Equity!!!**

**Do NOT transfer to Page 8, Equity Reconciliation, Schedule 2**

**NOTE: The Notes to Financial Statements Are An Integral Part Of This Page.**

## **COMBINED STATEMENT OF CASH FLOW – PAGE 6**

While earlier explained in detail, this Schedule consists of three parts:

1. The BOY versus EOY Net Change in Total Cash per Page 2, Line 1.
2. The BOY versus EOY Net Change in each of Lines 4 through 22 on Page 2.
3. The detail on Schedule 2 of Page 8 consisting of Net Profit or Loss from Pages 3 and 4 and Adjustments on Line 22 of Page 8 that must agree with Page 6, Line 15 or 22 and be fully explained on the bottom of Page 8 or on Page 7 as footnotes.

## **NOTES TO FINANCIAL STATEMENTS – PAGE 7**

Several required comments that should be an integral part of this page of the Annual Report have been elsewhere explained. Additionally, most outside accountants explain the basis for the evaluation of certain figures presented in the various Financial Report Schedules.

**Central Lodge No. 9999**  
**Combined Statement of Cash Flow**  
**(all funds)**  
Year Ended March 31, 2008

**CASH FLOW FROM OPERATIONS ACTIVITIES:**

1. Lodge - Net Income (Page 3)	(\$28,265.79)	
2. Club - Net Income (Page 4)	\$9,131.84	
<b>3. Total Net Income</b>		(\$19,133.95)

**ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

4. Depreciation	\$11,679.60	
5. Increase/Decrease in Prepaid Expenses	-\$225.00	
6. Increase/Decrease in Inventories	-\$1,693.38	
7. Increase/Decrease in Short Term Investments	\$4,397.01	
8. Increase/Decrease in Other Assets		
9. Increase/Decrease in Accounts Payable	\$128.31	
10. Increase/Decrease in Notes Due Within One Year		
11. Increase/Decrease in Prepaid Dues	\$116.00	
12. Increase/Decrease in Other Payables	\$3,082.16	
13. Increase/Decrease in Deferred Income		
14. Increase/Decrease in Restricted Funds	-\$4,600.77	
15. Adjustments (Page 8)--Attach Explanation		
<b>16. Total Adjustments</b>		\$12,883.93
<b>17. NET CASH PROVIDED BY OPERATIONS</b>		(\$6,250.02)

**CASH FLOW INVESTING ACTIVITIES:**

18. Purchase of Fixed Assets		
19. Reduction of Long Term Debt		
20. Purchase of Long Term Investment		
21. Capital Improvement to Building		
22. Adjustments - Attach Explanation		
<b>23. Total Investing Activities</b>		\$0.00
<b>NET CHANGE IN CASH</b>		(\$6,250.02)
<b>CASH AVAILABLE- MARCH 31, 2007</b>		\$37,118.60
<b>CASH AVAILABLE- MARCH 31, 2008</b>		\$30,868.58

**Explanation for Lines 15 & 22:**



## GROSS PROFIT ANALYSIS – PAGE 8

The calculations for Cost of Goods Sold and the determination of Gross Profit have been explained in detail in two earlier sections of this instructional material.

Page 8, Lines 10, 11 and 12 must include all Club Payroll Costs (none on Page 4) for management or supervisory salaries, all other wages, related payroll taxes, health care premium and other fringe benefits, free meals, drinks and other amenities, the total of which should not exceed 35% of Gross Sales on Page 8, Line 4 as prescribed in the Grand Lodge Manuals.

Music and Entertainment Expenses, incurred by the Club, should not exceed 6% of Gross Sales on Page 8, Line 4 as prescribed in the Grand Lodge Manuals.

The Grand Lodge Manuals Code 5100 *Subordinate Lodge Auditing and Accounting Manual* (tan book) and Code 5101 *Auditing, Accounting and Management Manual* (green book) should be continuously used as a viable source of information regarding bookkeeping, accounting, auditing, administration and management functions within the Lodge and the Order of Elks.

**Central Lodge No. 9999**  
**Supplemental Schedules**  
**Year Ended March 31, 2008**

**SCHEDULE OF GROSS PROFIT: Schedule 1**

	Bar	Dining Room	Total
<b>Sales:</b>			
1. Food		\$56,123.17	\$56,123.17
2. Liquor, Beer & Wine	\$107,696.55		\$107,696.55
3. Other Bar Sales	\$6,367.37		\$6,367.37
<b>4. Total Sales:</b>	<b>\$114,063.92</b>	<b>\$56,123.17</b>	<b>\$170,187.09</b>
<b>Cost of Sales:</b>			
5. Inventory, April 1, 2007	\$8,027.60	\$1,190.52	\$9,218.12
6. Purchases	\$44,459.73	\$25,791.57	\$70,251.30
7. Total	\$52,487.33	\$26,982.09	\$79,469.42
8. Less: Inventory, March 31, 2008	\$8,693.37	\$2,219.13	\$10,912.50
9. Cost of Sales	\$43,793.96	\$24,762.96	\$68,556.92
<b>Gross Profit on Sales</b>	<b>\$70,269.96</b>	<b>\$31,360.21</b>	<b>\$101,630.17</b>
<b>Direct Expenses:</b>			
10. Salaries & Wages	\$17,179.41	\$6,601.55	\$23,780.96
11. Employee Meals, at Cost		\$7,269.88	\$7,269.88
12. Payroll Taxes & Benefits	\$1,564.00	\$853.82	\$2,417.82
13. Music & Entertainment	\$5,393.75		\$5,393.75
<b>14. Total Direct Expenses</b>	<b>\$24,137.16</b>	<b>\$14,725.25</b>	<b>\$38,862.41</b>
<b>GROSS PROFIT (Total to Page 4)</b>	<b>\$46,132.80</b>	<b>\$16,634.96</b>	<b>\$62,767.76</b>
<b>Ratios:</b>			
15. Cost of Sales (% of Total Sales)	38.39%	44.12%	40.28%
16. Employee Expense (% of Total Sales)	16.43%	26.24%	19.67%
17. Music & Entertainment (% of Total Sales)	4.73%	0.00%	3.17%
18. Gross Profit	40.44%	29.64%	36.88%

**RECONCILIATION - EQUITY ACCOUNT: Schedule 2**

19. Balance, March 31, 2007	\$386,915.37
20. Net Increase/(Decrease), Page 3	(\$28,265.79)
21. Net Increase/(Decrease), Page 4	\$9,131.84
22. Adjustments-Increase(Decrease), Attach Explanation	
23. Balance, March 31, 2008	\$367,781.42

**NOTE: The Notes to Financial Statements Are An Integral Part Of This Page.**

## INSURANCE COVERAGE

It is imperative that Lodge and Club Management protect the Lodge's assets and ongoing operations from various potential losses through adequate insurance coverage. Examples of such coverage are:

- Liquor ("Dram Shop")
- Contractual Liability
- General Public Liability
- Product Liability
- Personal Injury Liability
- Employer Liability
- Fire and Extended Peril Coverage on Real and Personal Property . . . Business Interruption
- Directors and Officers Liability
- Employee Dishonesty Including Bonding Lodge Officers
- Robbery and Safe Burglary
- Workmen's Compensation and other provisions as presented in either the *Grand Lodge Liability Insurance Manual* (Code 5130) or the *Property Plus Manual for Umbrella Type Coverage*.

These manuals contain information related to obtaining coverage, inspections, updates, claims reporting, loss prevention, etc.

It is also suggested that Lodge and Club Managers familiarize themselves with the Grand Lodge Accident Prevention Manual (Code 5131) that makes suggestions as to “How to Avoid Accidents.” The FSEA has a very active and knowledgeable Accident Prevention Committee that assists lodges throughout the state upon request. On several occasions, the committee chairman has stated “no salt on the dance floor.” The best way to avoid unnecessary losses is to implement procedures and policies that mitigate the chances of an accident or other loss related condition from happening.

If you follow the above guidelines and abide by Federal, State, County and Local Laws and Ordinances, it will go a long way in preventing costly losses that additionally entail a good deal of management time and effort to resolve once they occur.

If you have questions, contact a member of the FSEA Accident Prevention Committee.

On your annual Grand Lodge Financial Report insurance data on the transmittal letter and on page 9 must be fully completed.

Lodge Name: **Central** Lodge Number: **9999****SCHEDULE OF INSURANCE COVERAGE AND FIDELITY BONDS****(see additional information, next page)****MANDATORY PROGRAMS**

- |   | Yes                                 | No                                  |
|---|-------------------------------------|-------------------------------------|
| 1. GRAND LODGE MASTER LIABILITY INSURANCE. (Providing general liability/liquor coverage) (Mandatory program – premium paid as part of annual per capita – no additional premium due – nor is any audit required.)   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| 2. GRAND LODGE PROPERTY PLUS? (Mandatory program – premium billed directly to Lodge.) (Please attach copy of current Property Plus Declaration page showing amount of coverage purchased.)  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Has Property Plus free appraisal been obtained?   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| 3. ELKS DIRECTORS & OFFICERS/EMPLOYMENT PRACTICES? (This discounted program is offered on a voluntary basis)  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| 4. DIRECTORS & OFFICERS COVERAGE WITH OUTSIDE CARRIER?  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Insurance Carrier:  |                                     |                                     |
| 5. WORKER'S COMPENSATION INSURANCE? (It is recommended that every Lodge have such coverage – even if it has no regular employees.) (Worker's Compensation is the exclusive remedy for occupational injury claims – accident policies are not sufficient.) | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| 6. Name of Worker's Compensation Carrier: <b>Comp Insurance Company</b>   |                                     |                                     |
| 7. Worker's Compensation Policy Number & Expiration Date: <b>0000-0000-001</b> Exp 1/11/09  |                                     |                                     |

**FOR INFORMATIONAL PURPOSES ONLY – PLEASE PROVIDE THIS INFORMATION:****Number of Employees:**

8. Lodge? 1 9. Bar? 2 10. Dining Room? 1 11. Other Area?

**LODGE OFFICERS RECEIVING PAY:**

- |   |                                     |                                     |
|---|-------------------------------------|-------------------------------------|
| 12. Secretary   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| 13. Treasurer   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| 14. Other Paid Officers? (list below)   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| 15. AUTOMOBILE INSURANCE? (If Lodge owns vehicle. The Master Liability Program does not provide coverage for owned vehicles.)               | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| 16. OTHER INSURANCE? (Please explain in detail on separate sheet if necessary – Page 9a, 9b, etc. – indicate carrier and type of coverage.) | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |

**For Internal Use Only** (revised 3/2008)

## **MEMBERSHIP RECONCILIATION – PAGES 10-11**

For a multitude of reasons, a large number of lodges nationwide have a great deal of difficulty in reconciling detail Dues and Fees records to General Ledger Dues and Fees Revenue reported on Page 3, Lines 1 and 2. Many lodges are unable to accurately complete this reconciliation and report discrepancies on Page 10, Line 9 and Page 11, Line 20. Additionally, many lodges are unable to provide reasons for these discrepancies as required by the instructions on Page 11.

The Lodge Internal Auditing Committee has the responsibility to review these detail Lodge records and the reconciliations of Dues on Page 10, Line 7 to Page 3, Line 1 and Fees on Page 11, Line 18 to Page 3, Line 2. Their recommendations for correcting problems and improving internal accuracy should be implemented on a timely basis.

Because the Grand Lodge is currently in process on integrating a uniform computerized Membership Program in conjunction with the Chicago Headquarters Office, no further discussion of Pages 10 and 11 are contained herein pending potential future reporting changes mandated by the new Membership Reporting System.

**Central Lodge No. 9999**  
**RECONCILIATION OF DUES WITH MEMBERSHIP STATUS**  
**Year Ended March 31, 2008**

**MEMBERSHIP PER PRIOR YEAR ANNUAL REPORT**

1. Life Members	23	@	\$28.00	\$644.00
2. Members	355	@	\$73.00	\$25,915.00
3. TOTAL DUES FOR AUDIT YEAR BEFORE ADJUSTMENTS	378			\$26,559.00
4. Add: Gains (Schedule A - Line 14, Below)	56			\$1,780.00
5. SUBTOTAL	434			\$28,339.00
6. DEDUCT: Losses (Schedule B - Line 8, Page 11)	41			\$2,538.00
7. GROSS TO ACCOUNT FOR	393			\$25,801.00
8. CASH RECEIPTS ACCOUNTED FOR (To agree with Page 3, Line 1)				\$25,801.00
9. DISCREPANCY (IF ANY, EXPLAIN ON BOTTOM OF PAGE 11)				\$0.00

**SCHEDULE A**

10. ADDED TO ROLL BY INITIATION

April	0	@	\$0.00	\$0.00
May	9	@	\$55.00	\$495.00
June	5	@	\$50.00	\$250.00
July	6	@	\$45.00	\$270.00
August	6	@	\$40.00	\$240.00
September	2	@	\$35.00	\$70.00
October	1	@	\$30.00	\$30.00
November	6	@	\$25.00	\$150.00
December	6	@	\$20.00	\$120.00
January	7	@	\$15.00	\$105.00
February	3	@	\$10.00	\$30.00
March	0	@	\$0.00	\$0.00

11. ADDED TO ROLL BY REINSTATEMENT	1			\$20.00
12. ADDED TO ROLL BY TRANSFER DIMIT	4			
13. ADD: Dues for prior year collected during audit year from delinquent members				
14. Total Gains (Line 4, above)	56			\$1,780.00

**Central Lodge No. 9999**  
**SCHEDULE B**  
**Year Ended March 31, 2008**

	Number of Members	Dues for Audit Year Not Collected
1. Dropped for Non-Payment of Dues	25	\$1,780.00
2. Expelled		
3. Transfer Dimit to Another Lodge	4	
4. Absolute Dimits Granted	0	
5. Deaths	12	\$758.00
6. ADD: Dues Remitted (Sec. 14.310 of Statutes)		
7. ADD: Dues Owed by Delinquent Members, End of Year		
8. TOTAL LOSSES: (Transfer to Line 6, Page 10)	41	\$2,538.00

	Number			Fees Collected
9. Initiated	51	@	\$50.00	\$2,550.00
10. Reinstated	1	@	\$15.00	\$15.00
11. Affiliated by Transfer Dimit	4	@	\$15.00	\$60.00
12. Affiliated by Absolute Dimit	0	@	\$0.00	\$0.00
13. Certificate of Release	3	@	\$10.00	\$30.00
14. Forfeited Fees		@		\$0.00
15. ADD: Fees collected During Audit Year for Gains Occurring During the Following Year		@		\$0.00
16. Sub-Total				\$2,655.00
17. Deduct: Fees Collected Prior Year for Gains Occurring During Following Year				
18. Gross to Account For				\$2,655.00
19. Cash Receipts Accounted For (To Agree with Line 2, Page 3)				\$2,655.00
20. Discrepancy (If any, explain below)				\$0.00

**Explanation of Discrepancy, If Any (Line, 9 Page 10) or (Line 20, Page 11)**



## ACCOUNTANTS' RECOMMENDATIONS AND SUGGESTIONS – PAGE 12

Compilations and 'In House' preparations of the Annual Report generally result in few, if any, recommendations. Reviews by outside accountants should result in their findings being included under Page 12 Recommendations. Full blown Opinion Audits require recommendations based upon the detail tests of records and other industry governed audit procedures and evaluations performed.

These recommendations and suggestions are designed to correct problems, to improve internal controls and administrative efficiency in order to improve overall bottom line operating results. Failure to implement these suggestions results in continuing internal problems with the risk of incurring unnecessary costs and expenses within the Lodge.

It has been noted nationwide that far too often, recommendations by the Lodge's outside accountant and the Area Representative of the Grand Lodge Auditing & Accounting Committee are repeated year after year without any corrective management action being taken. It is suggested that the PGER State Sponsor and current DDGER exercise some degree of follow-up action to keep these lodges out of potential financial and compliance trouble.



Lodge Name: Central, Lodge Number: 9999

**ACCOUNTANT'S RECOMMENDATIONS AND SUGGESTIONS**  
**For Improvement of Financial Records and Controls**  
**Year Ended March 31, 2008**

For several years, since 2003, the lodge accounting system has been maintained on QuickBooks accounting software but the lodge is not utilizing it to its potential.

The bank reconciliation feature is not being, and never has been, used.

Deposits shown on the bank statement for the checking account do not agree with the deposits recorded in QuickBooks; it appears that a separate manual record is being kept for tallying cash receipts and then the receipts are entered in the general ledger by journal entry. This method is not only creating more work than entering deposits directly into the general ledger, it also disrupts the "paper trail" process.

The "process scheduled payroll" and "payroll tax payment" features are not being used.

Budgets for charitable and civic expenditures appear in the lodge "class" but the expenditures for those have been moved to "Bingo Charities" expenses in the bingo "class" in order to arrive at the ending charity restricted fund ending balance; in the future, separate line items should be created in the bingo "class" for each of the charitable/civic expenditures budgeted.

## **OTHER SUGGESTED SUPPLEMENTARY READING**

### **MATERIALS**

- Accident/Claim Prevention Manual – Code 513100 – (May 2004)
- Annotated Statutes – Code 520100 – Latest Edition – (Annual)
- Auditing, Accounting and Management Manual – Code 510100 – (September 2006) – Green Cover
- Auditing & Accounting Committee Manual – Code 510000 – (September 2006) – Tan Cover
- Government Relations Manual – Code 511000 – (August 2004)
- Leadership Training Booklets (set of 5) – Code 511900
- Liability Insurance Program Manual – Code 513000 – (Annual)
- Lodge Activities Manual – Code 510300 – (April 2005)
- Membership, Program and Planning Manual – Code 510400 – (August 2001)
- Exalted Rulers, Lodge Officers and Committee Members Manual  
Code 510500 – (January 2007)
- Property Plus Insurance Manual – (Obtained from Aon Risk Services.)
- Charity Record Booklet – Code 511100 – (Annual)
- Discrimination and Harassment Guide – Code 510900 – (January 2008)

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