

How To Run The Business of Your Lodge!

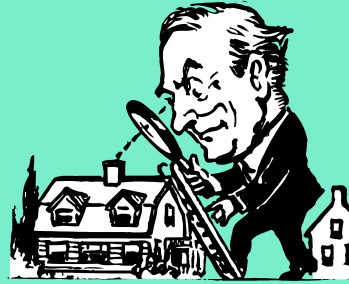
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By: Maurice B. DiPoli, Jr

With Good Planning & Follow Through!



What's the Plan?



- **How long has it been around?** Since Year 1 (Vintage with Improvements)? Do You follow G.L. Guidelines? Calendar of Events? (Do You Have Goals to Meet? What are they?)
- **Who's helping You with Your plan or Do you have a Plan?**
- a) Experienced...PER's, PDDGER's PSP's, Trustees, Members, etc?
Don't forget to revise it as needed during the year!
- **Do You have a Mixture of Ages & Community Activities in Your plan?**
- a) *Have You Bridged the Generation & Gender Gap?* (Functions for all ages)
- **Does it cover Young and Older Children?** (Children parties, dances, etc)
- a) Does it include activities for Members Families or Grandchildren? Remember our future membership will come from our children and grandchildren. Do You Listen to Your members, (Male & Female) & then include them in your plan?
- **Tradition is good, but change is necessary to remain successful!**
- **Positive Changes are as necessary as the ocean tide changes!**



What Does it Take to Run a Lodge?

- Dedicated Volunteers!
- Lots of Hard Work!
- &
- MONEY Management!



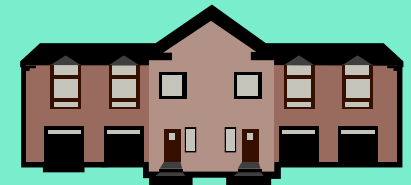
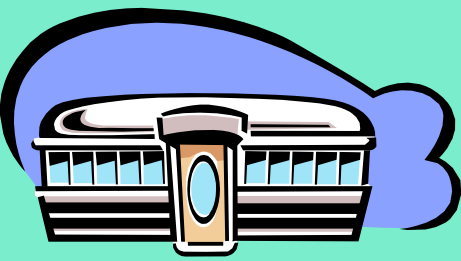
Assume Lodge is Business

"All American Lodge, Inc"

What's Our Business Connection?



- A **CEO/ President** or **ER Exalter Ruler** (*Person in Charge and, Selecting key people and Manage Overall Leadership Role of Business or Lodge*)
- **VP's** or **Vice Presidents** or **Chair Officers** (*Leading , Loyal, Lecturing Knights*)
Support the CEO or ER
- **Board** of Governors or **Trustees** (*Oversee Well being of Business*)
- **Secretary & Financial Officer** or **Secretary & Treasurer** (*Secretary - Handle minutes of meetings & Treasurer - Control the Money*)
- **CFO Chief Financial Officer** or **Chairman** Auditing Committee (*Oversee & Make sure accounting done properly and give reports*)
- **Manager** of Store(s) or **Chairmen** of House Committee (*Manage Day to Day operation of Store or Social Quarters*)
 - a) Employees of Store or Employees of House Committee
- **Department Heads** or **Chairman** of different Committees (*Manage Department or Special Fund Raising Activities & giving timely reports*)
 - a) Members of Committee
- **Rank & File Employees** or Your **Membership** (*Where workers come from*)



The All American Lodge Your Lodge Grand Lodge "Guidelines"

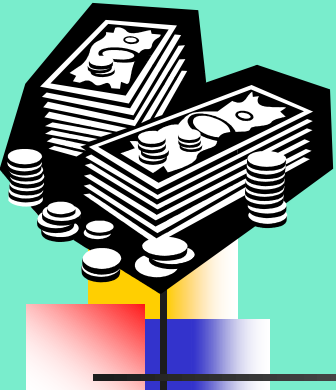
What Does That Mean?

How Do We Calculate if Business Cost Too High?

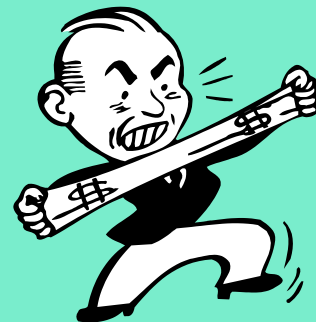


- **LABOR COST:** Total Salary & Wages should not exceed 35% of Gross Sales.
Formula: $\text{Total Salaries} + \text{benefits} / \text{Gross Sales} = \%$
- **FOOD COST:** Total Cost of Goods sold should not exceed 35% of Gross Sales. Formula: $\text{Cost of Sales} / \text{Gross Sales} = \%$
- Do Not Try to Serve Everything, Keep menu small with a minimum number of items. Prices must be developed to provide a profit, yet be attractive enough to bring your members to your Lodge. Strict Inventory control, with comparison between purchases, sales and ending inventory. Monthly Reports are a must!
- **BAR COST:** Total Cost of Goods Sold should not exceed 35% of Gross Sales Use the same control as food. Formula: $\text{Cost of Sales} / \text{Gross Sales} = \%$
- **ENTERTAINMENT COST:** Total Cost should not exceed 6% of sales. Formula: $\text{Total Cost of Bar \& Dining Room} / \text{Gross Sales} = \%$





Lets Examine Cost! & Look at G.L. Maximum Guidelines!



Question: Can You Improve Profits?

For Simplification: Lets Assume that Your House Committee Gross Sales are \$350,000!

- Actual Cost: Cost of Labor = \$64,400; COGS = 124,000; Entertainment is (Cost of Bar) 124 k + (Dining Room) \$60,000 = \$184,000.
- Your **Budgeted NET Income** is \$100,000, therefore your total expenses cannot exceed \$250,000.
- LABOR:** Max 35% of \$184 k = \$64,400 (35%) **Running Totals** \$ 64,400 Within Budget
- COGS:** Max 35% of \$300 k = \$105,000 (35%) **Running Totals** \$169,400 Within Budget
- ENTERTAINMENT:** Max of 6% of \$184 k = \$11,040 (6%) **Running Totals** \$180,440 Within Budget
- Your Budgeted Profit is \$100,000 and, by keeping cost down, you earned an extra \$69,560 more!
- By Calculating these figures in advance, you know what you can Spend or Not, to stay Within your Budget! NOTE: "That's Why Good Accounting Records are Important!"**
-
- What If you Reduce Cost by other 10%, Can you improve profits?
- So....the Answer is "YES" of Course You Can!**
- To Stay Within Budget, Cost Must Be Kept Down or You Must Raise Prices!**



Examine Cost:

How Much Does it Cost to Run Your Lodge by the: MONTH, WEEK, DAY or HOUR?



- If you have **Good Records**, these figures can be calculated, so you will know **How Much Money** it takes, to run your Lodge.
- a) Manual or Computerized? Which One Do You Have?
- What Do You Charge for **HALL RENTALS & Why is This Important?**
- a) Lets assume you charge: \$350 for 4 hours?
- b) Lets Assume Cost @ \$97 hr X 4 = \$388. (**Net Loss** -\$38 for Rental)?
- How did I **Arrive** at that figure? (See next slide for my answer)
- a) Now You Know Why We have to look at this figure?
- **To find out if we are Charging enough to meet Expenses & make a Profit?**
- a) Is this Charge in line with Average Cost for Rentals in Your Area?
- Answer: Too Low or Too High for Competition, Right?)
- When was the **Last Time** you had a price increase?
- Remember to plug in the **Inflation Factor?** (3% annual, is Average)



All American Lodge, Inc Income Vs Cost/Expenses

What Does it Cost to Run Your Lodge / Business



- **ASSUME: LODGE & HOUSE Committee**
- **Total Income = \$450,000.00**
- **Total Expenses = \$350,000.00**
- -----
- **Net Profit 2005 = \$100,000.00 Good Year!**
- **Assume 3 year Average Cost:**
Cost or Expense -3 yrs = \$340,000



Average Business Monthly Cost

$$\$340,000 / 12 \text{ months} = \underline{\$28,333 \text{ Monthly}}$$

Average Business Weekly Cost

$$\$340,000 / 50 \text{ Weeks} = \underline{\$6,800 \text{ Weekly}}$$

Business open 350 days annually

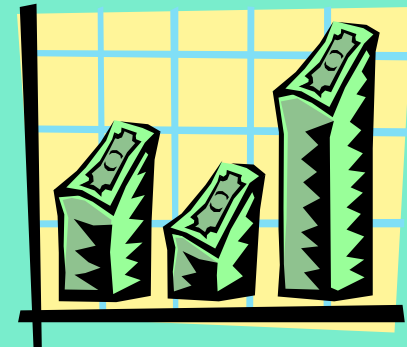
Average Business Daily Cost

$$\$340,000 / 350 \text{ days} = \underline{\$971 \text{ Daily}}$$

Average Business Hourly Cost

$$\$971 / 10 \text{ hrs} = \underline{\$97 \text{ hourly}}$$

NOW YOU KNOW HOW TO CALCULATE YOUR COST!

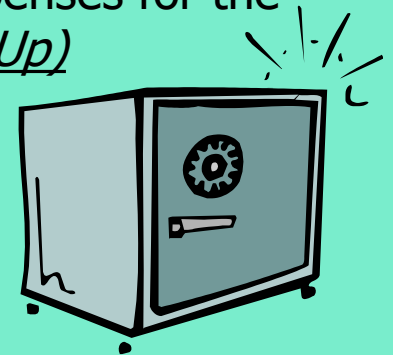
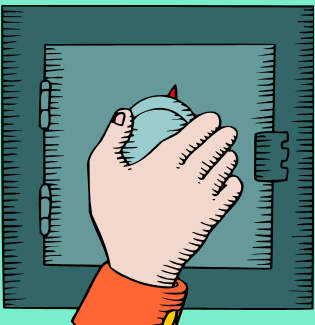




Controls Applicable to Club Operations "House Committee"

Internal Controls for **Bar, Dining Room, Golf Course, Pool** and similar Club Operations. Use Simple **DAILY SPREAD SHEETS** of Income Vs Expense = Profit or loss. Avoid too many checking accounts, the Lodge should have only one but, sometimes two may be needed; however the **TREASURER must Control and Sign All checks. Remember a Trustee -MAY be a back up signature; Treasurer may be ill or Out of Town.**

- **Per By-Laws & G.L 12.060.**
- **Daily Deposits** should be made to your Bank! Night Deposits, should be made on Weekends. This reduces the risk of and, temptation of theft!
- The only cash needed is to Cover Your immediate expenses for the next day (Petty Cash). (*Keep in Safe or Secure Lock Up*)





“Lodge Trustees” Overview



The Lodge Trustees have a Fiduciary Responsibility to the Lodge and are in Charge of the Overall Property & Care of the Lodge. G.L. 12.070

- **What does this mean?** *They are legally liable for the overall finances and property of the Lodge (Including maintenance & safety).*
- **Detail Records of Investments**, Including Original Cost, Profit or loss, etc.
- Purchase all lodge supplies ordered by the Lodge.(Exception Opinion 10 & 28 House Comm) “*Trustees are not the sole purchasing authority of the Lodge*”
- Present a **Segregated Budget** not later than final regular meeting in April. NOTE: Failure to submit budget to the Lodge (By-Laws 12.070 Opinion 17) *may* subject Trustees / Budget Committee Removal from office. (Budget Committee)
- Proposals made not included within budget, an adoption of not less than 2/3 present must approve this expense.
- Install System to keep track of Lodge Property (Inventory Control: Use digital cameras!).

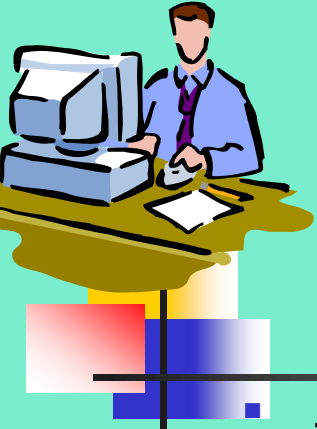


Highlights of Handling Money Lodge Secretary & Treasurer & Working Relationship



- **The Lodge Secretary Shall:** G.L. 12.050
- Keep accurate minutes of all meetings and.....
- **Receive All Monies** due the Lodge & **Pay to Treasurer**
- Accurate Up to Date log books of money received, which should include Date Received, From Whom, Type of Payment Check # or Cash (with copy of receipt if cash), for what (dues, donation, initiation fee, rental, etc.)
- **The Lodge Treasurer Shall:** G.L. 12.060
- **Receive All monies from the Lodge Secretary** giving a receipt thereof and, deposit into Lodge bank account's A.S.A.P. NOTE: **Act as Treasurer of all Committees, unless provided by the By-Laws.** G.L. 12.060
- Maintain accurate (bookkeeping) records, including receipts and disbursements. Monthly Reports: Income Vs Expenses = Profit / Loss
- Are you within budget? Over / Under?
- ***NOTE: Both should work as a Team, taking care of Lodge Money & Records. This Team forms the Basic Foundation of Your Business & the Survival of Your Lodge!***





“Audit Committee” Duties & Responsibilities



- **G.L. Statutes 13.040** **The Audit Committee “Shall:”**
- **Engage an Accountant**, *with the approval of the Lodge*, to prepare Annual Financial Report (Audit, Review or Compilation). Opinion 2. Neither the Governing Body of the Club nor the Trustees is authorized to employ its own accountant.
- Require the use of the **Uniform Chart of Accounts** provided in 4.330
- **Review & Report to the Lodge the status** of Required Record Keeping of the Lodge & Club in **July, October, & January**
- The **Audit Committee** *may examine*, at reasonable times, Lodge records and make copies thereof in connection with the audit.
- The **Audit Committee** is responsible **to the Lodge**, not the Trustees.
- A Properly **Trained Accountant** should Audit the Books, *not the Auditing Committee*.
- No Lodge Secretary, Treasurer, Trustee or House Committee member serve as a member of the Audit Committee. G.L 13.040 k



Lodge Budget Vs House Budget

- **Lodge Budget Income:** Trustees G. L. 12.070

- Dues, Interest, Dividends, Fund raisers (Shrimp, Crab feast, etc.), **NET Income** or (Profit) from the **House Committee**

- **Lodge Expenses:**

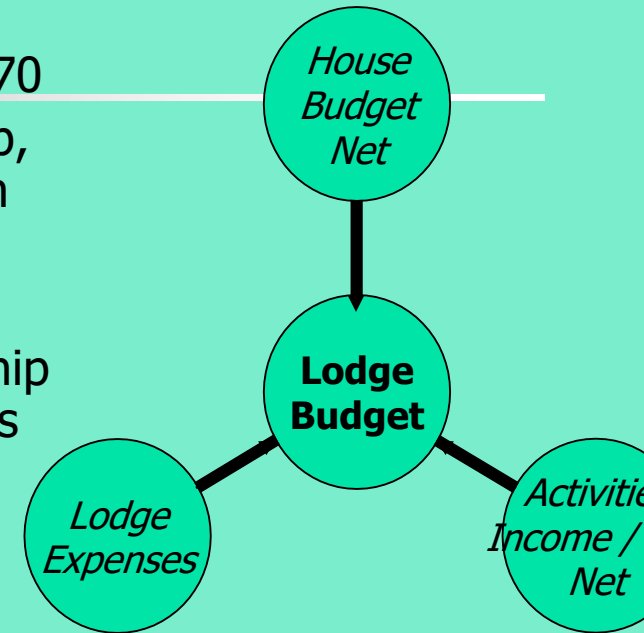
- Charitable work, Administration Cost, Scholarship Grants, Sponsor Boy Scouts, Local Youth Sports Teams, Hoop Shoots, etc

- -----

- **House Budget Gross Income:** G.L. 16.040

- Sale of Goods at Lounge, Social Quarters, Kitchen, Pull Tabs, Dinners, Rentals, etc.

- **House Expenses:** From **COGS** (Cost Of Goods Sold), Employees Pay, Unemployment Cost, Federal Taxes, etc.

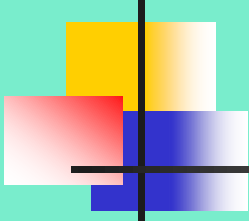


How to Plug In House Budget "Net Profit" to Lodge Budget

- **House Committee "Net Profit"** goes to the **Lodge Budgeted Income**. This is the Profit after you pay your House Expenses.
- **This is the area that Lodges have difficulty.** (G.L. 12.070)
- **NOTE:** Keep Budgets Easy to Understand & Follow G.L. Auditing Manual "Chart of Accounts," It's an Excellent Guide!
- Your **House Committee** must **make a profit** to help operate your Lodge & do its Charitable Work in the community.
- *This profit helps to fund the Lodge Budget.*
- **That's the KEY to Success!**



**"House Committee"
Relationship
to
"Lodge Budget"**



■ **HOUSE COMMITTEE (Separate)**

- Annual Gross Income = \$300,000
- Annual Expenses = \$200,000
- -----
- Net Profit → = \$100,000

LODGE BUDGET (Separate)

- INCOME :** Dues = \$25,000
- Activities Crab, Shrimp = \$10,000
- House Committee*** = \$100,000
- Interest (CD's, Etc.) = \$2,000

- Annual \$300k / 12 = \$25k Gross Monthly to make budget
- Net \$100k / 12 = \$8,333 Monthly Net

Total Income = \$137,000

■ **LODGE BUDGET**

- Annual Income = \$137,000
- Annual Expenses = \$137,000

- EXPENSES:** Accounting = \$1,000
- Convention Expenses = \$2,500
- Charity Donations = \$25,000
- Utilities = \$5,000
- Other (s) = \$103,500

Total Expenses = \$137,000

■ **Lodge Budget Balanced**

■ G.L. 12.070



What Are Monthly Reports?

&

What Should these Reports Tell You?

- **Answer:** Where the *money* is coming from, and where are You Spending it? Trustees G.L. 12.070 and Shall present a monthly written report of its transactions at the first regular meeting of each month.
- If you are *successful* or not, in a Fund Raiser or House Committee. Remember, you need to ***make a profit*** to Run Your Lodge & Fund Your Charitable work!
- *Reports* should be given on a Regular Basis, either monthly or ***within two*** weeks after a Fund Raiser. (Listing Income Vs Expenses Giving You the Net Profit or Loss for the Fund Raiser).
- ***If a Fund Raiser last longer then a month,*** then ***monthly reports*** & Status of How Much has been taken in and, how much spent (Including a Year to Date Net Profit earned).
- *This will give you an indication of Profit or Loss?*



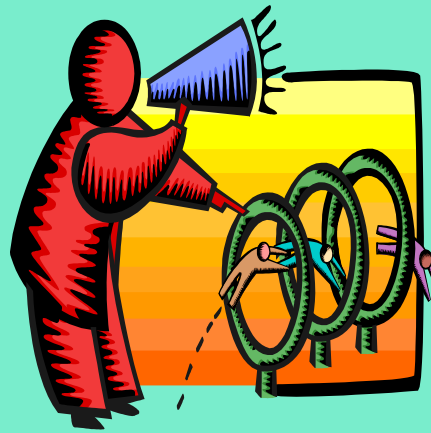
BUT...

How Do I Get Help with All This?



- **Grand Lodge Auditing Manuals**
- Your Audit Committee, Past Exalted Rulers, Past State Presidents, Past District Deputies, *State Association Development & Assistance Committee*, *State Auditing & Business Practices*, etc.

All You have to do is ASK?



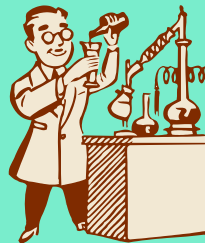
Why Do We Need a Computerized Accounting System?



- The **Right Tools & Right Person** will Eliminate tons of paperwork, for example: Duplication, Math Errors, Accounts Payable & Receivable Departments, Creating many individual reports manually, etc and most important Saving Time & \$\$ Money!



- **A Key "Tool of Your Lodges Trade?"**
- **A Professional Accounting System, Ex: "Quick Book Pro"**
- Create Professional, Accurate Record Keeping, with built in
- Monthly **Profit & Loss & Balance** Reports
- Ability to Do "Budget Vs Actual" in "Quick Book Pro"



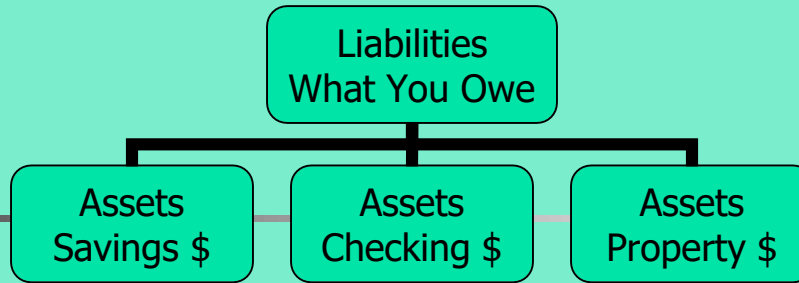


HOUSE Profit & Loss Vs House Budget Vs Actual

- Profit & Loss: Example: Monthly Income \$15,000.00
-Monthly Expenses \$10,000.00
- -----
- Net Profit \$ 5,000.00
- **Looks Good....Right!** Not so fast! Lets look at it closer!
- Your Annual NET Income Budgeted is \$100,000.00.
- -----
- In this example, Your Average Monthly Profit is *too low* to Make Your Average Net Budget, which is \$8,333.00 monthly.
- Your making money, but not enough to make your budget!
- That's Why You need to "Look" at both! Using the Right Tool!



What is A Balance Sheet?



- Too Technical...No it's not...the Balance Sheet shows:
- **What You Owe** or Liabilities.
- **What You have in Savings, Checking, Investments, Property Value, or Assets.**
- Running a Lodge You Must know ***What Your Liabilities*** (Short Term Employment withholding taxes, Time Payment < Year, etc., Long Term Mortgage) and, ***Assets*** (*What You have in Checking, Savings, Investments, etc.,*) Right? It's the same as, How Much do You take Home Monthly Vs How much are Your monthly Bills (What you Owe or your Liabilities short term (car) & long term (Home))?
- Without this information, can you successfully run your household or Your Lodge?
- Now, Does it Makes Sense to have a Balance Sheet?
- **Of Course it does!**



Now Tell Me, Why We Do All This Work?

- To Be Able to Operate Our Lodges & Give to Charities, Help Our Veterans, Send Children to ECB, Give to Scholarships, Run Hoop Shoots, Boy Scouts, Help the Needy @ Christmas, Thanksgiving baskets, etc.
- The **B.P.O. Elks** is a Charitable Organization and, in order to give to all these Charities, we must make money.



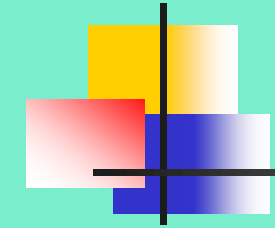
Members Handling Money

&

Why Are Committee Reports Needed?



- **Members Handling Lodge Money** must Recognize the importance of Receipts & Accurate Record Keeping, for it's not their money!
- **Timely Reports** (within Two weeks of event), Because Your Lodge does not know if it's making a **Profit** or **Loss** or within Budget or Not!
- **Monthly Committee Reports** are part of the *life blood* of Your Lodge, This includes Monthly House Committee Reports.
- You cannot manage your household **Successfully**, unless you know **How Much Money** You are Making Vs How much Money You are Spending.....RIGHT?



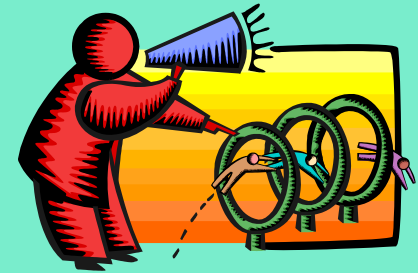
TEAM WORK & Community Activity



- Your Lodge is A **Business** and Must be Operated as Such.
- Webster's Dictionary defines Business as:
- A) An **Occupation**; b) A **Task**; c) A **Mission**;
- d) A **Commercial** or **Industrial Enterprise**.

- **We are All of these and More!**

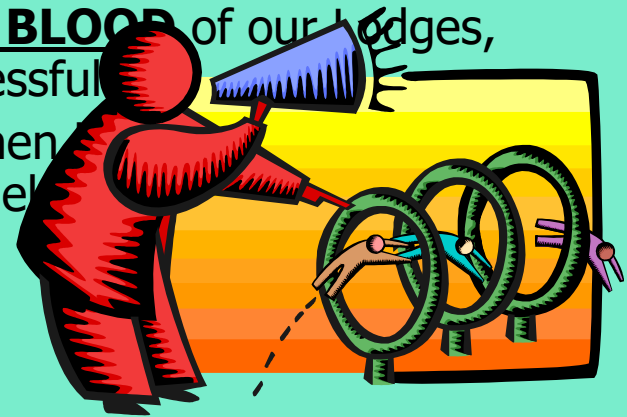
- Our **Occupation** is "**Entrepreneur**," and to, Exercise Positive Control with our Lodge Business & Be Successful;
- Our **Task** is to Meet Our Lodge Objectives or Goals;
- Our **Mission** is to Work Together as a Team to Achieve Our Goals;
- As a **Non-Profit Industrial Enterprise!**
- **We** Are a Vital Part of the Community we Live in!
- We Should be Proud of Our Charitable Work!
- Our Members & Communities Depends on Us, so don't let them down!



EXALTED RULERS & Leading Knights



- **Good Exalted Rulers** are made, by working hard in managing our Lodges. **NOTE: Leading knights** who will become ER's need to learn & understand "**How To Run The Business of Your Lodge**"
- By making **Good Committee Assignments** and following through....Recognizing Good & Replacing Poor Performance. Leading by example and following the Grand Lodge Guidelines (Using Good Old Common Sense).
- Remember, **Volunteers** are the **LIFE BLOOD** of our Lodges, without them we cannot operate successfully.
- **Volunteers** must take special care when handling money and report on activities in a timely manner.



Guideline Handouts to Help Your Lodge!



- ***Special Fund Raiser Form (Maurice DiPoli Special)***
- ***Sample of Budget (QuickBooks Pro)***
- ***Sample Profit & Loss Statement (QuickBooks Pro)***
- ***Sample Balance Sheet (QuickBooks Pro)***
- ***How To Calculate Monthly, Weekly, Daily and Hourly (Maurice DiPoli Special)***
- ***Some Publications & Forms for Small Businesses (Maurice DiPoli Special)***

■ ***QUESTIONS and / or COMMENTS?***



How to Run The Business of Your Lodge?

With Good Planning & Follow Through!

What's Your Plan?

The Plan from Last Year!
The Trustees Do It!
Remember...Changes are Necessary to Survive!
Do You Have a Mixture of Ages?



Who Runs the Business?

Dedicated Volunteers with Lots of Time & Hard Work!

Don't Forget MONEY MANAGEMENT!

How's That Done! Do We Hire Someone? Or give it to the New Treasurer?

Let's Assume your a Business!

Okay...Who's the CEO? The Exalter Ruler! Who's the V-P? The Chair Officers! Get It?

What Does This All Mean? How do We know When Cost Are Too High?

LABOR: Total Salaries & Wages should not exceed 35% of Gross Sales.

Formula: Total Salaries + Benefits / Gross Sales = %

FOOD: Total Cost of Goods should not exceed 35% of Gross Sales.

Formula: Cost of Sales / Gross Sales = %

BAR: Total Cost of Goods Sold should not exceed 35% of Gross Sales

Formula: Gross Sales / Cost of Sales = %

ENTERTAINMENT: Total Cost should not exceed 6% of Sales.

Formula: Total Cost of Bar & Dinning Room / Gross Sales = %

Let's Examine Cost!

Can You Improve Your Profits?

Let's Assume that Your House Gross Sales are \$350,000!

Actual Cost: LABOR = \$64,000; COGS = \$124,000: ENTERTAINMENT (Cost of Bar) 124k + (Dinning Room) \$60k = \$184,000

Budgeted Net Income is \$100,000, therefore your total expenses cannot exceed \$250,000

LABOR: Max 35% of 184k = \$64,400 (35%)

COGS: Max 35% of \$300k = \$105,000 (35%)

ENTERTAINMENT: Max of 6% of \$184k = \$11,040 (6%) 69,560 more!

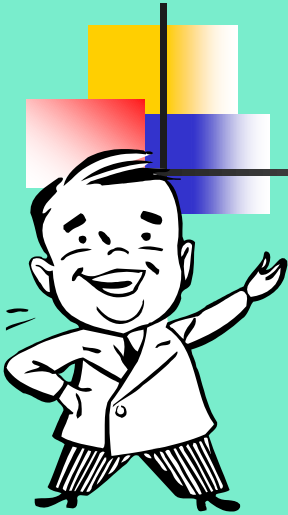
By Calculating these figures in advance, you know what you can Spend or Not, to stay within your budget! *NOTE: That's why good accounting records are important!*

What If you Reduce Cost by another 10% Can You improve Profits?

So....the Answer is "YES" of Course You Can!

In order to stay within budget, cost must be kept down or you must raise prices!

Or a combination of both!



Now...Let's Examine More Cost! How Much Does It Cost to Run Your Lodge/Business by the MONTH, WEEK, DAY or HOUR?

If You have Good Accounting Records, these figures can be calculated.

Let's assume you charge \$350 for 4 hours Hall Rental?

And...Now, let's assume Your Cost to operate your lodge is \$97 hr X 4 hrs = \$388 (Net Loss of \$38 for Rentals)
Can You figure Your Cost? When was the last time you had a price increase? Are you competitive or very low?
Remember to add the average inflation factor over the last 7 years 4.02% (2000-2007 from US Dept of Labor)

Some Controls for the House Committee

Internal: Use Simple daily Spread Sheets! Avoid too many checking accounts, you only need one, but sometimes two may be needed; however the Treasurer must control & sign all checks!

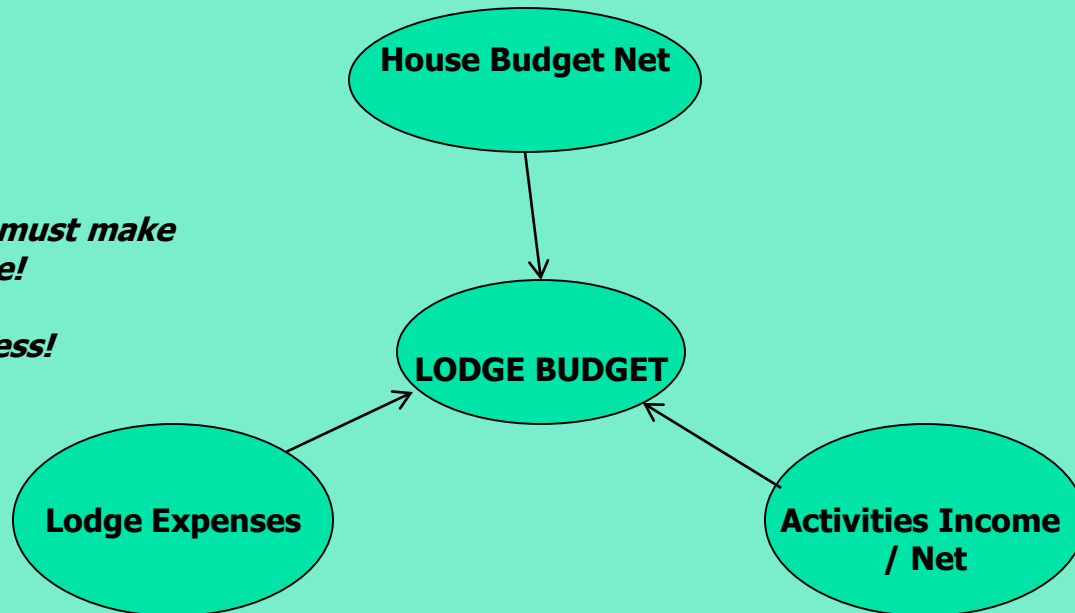
DAILY Deposits should be made to Your Bank! Night Deposits on weekends. Keep only cash needed to cover your immediate expenses for the next day. (Keep in Safe or Secure Lock Up)
Limit number of keys and change locks often as needed.

LODGE BUDGET Vs HOUSE BUDGET!



The House Committee must make a profit to Help Operate!

That's the KEY to Success!



"House Committee" Relationship
to
"Lodge Budget"

■ **HOUSE COMMITTEE (Separate)**

- Annual Gross Income = \$300,000
- Annual Expenses = \$200,000
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- Net Profit → = \$100,000

LODGE BUDGET (Separate)

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■ **Lodge Budget Balanced**

■ G.L. 12.070

Total Income = \$137,000

Total Expenses = \$137,000





Members Handling Money & Why Are Committee Reports Needed?

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- *You cannot manage your household **Successfully***, unless you know **How Much Money** You are *Making Vs How much Money You are Spending.....RIGHT?*



But...How Do I Get Help with All This?

- **Grand Lodge Auditing Manuals "TOP SECRET"**
- Your Audit Committee, Past Exalted Rulers, Past State Presidents, Past District Deputies, *State Association Development & Assistance Committee & State Auditing & Business Practices, etc.*

All You have to do is ASK?